Proven values, looking to the future

2023 Annual Report

iA Financial Group

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States.

Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

OUR PURPOSE

For our clients to be confident and secure about their future.

OUR AMBITION

To be the leading financial institution that best combines the human and digital experience.

OUR VALUES

Client Centricity

Understand the client's needs, work closely with distributors to take action, providing quality products, services and a great experience.

Inspired Teams

Empower inclusive teams to collaborate towards a shared vision of iA success.

Learning Agility

Champion learning and engage in new and different ways to grow and adapt.

High Performance

Perform efficiently and effectively to create greater value for iA and its stakeholders.

iA Financial Group serves over

5 million clients

and employs more than

9,400 people

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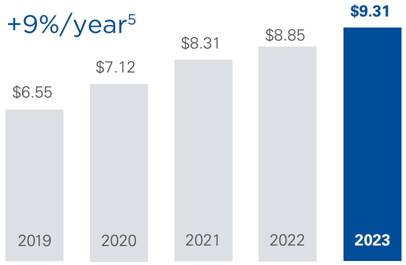
FINANCIAL PERFORMANCE

EPS[1, 2]

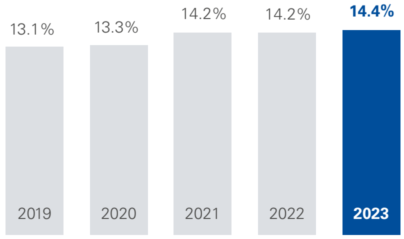
Core earnings per common share (diluted)

+9%/year[5]



ROE[1, 2]

Core return on common shareholders' equity

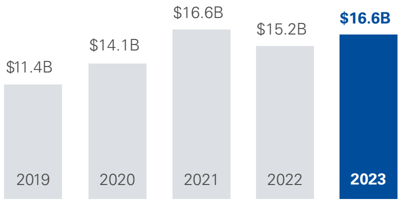


BUSINESS GROWTH

Premiums and deposits[1, 2]

Net premiums, premium equivalents and deposits

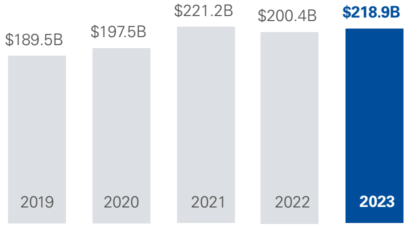
+10%/year[5]



AUM/AUA[1, 2, 3]

Assets under management and administration

+4%/year[5]

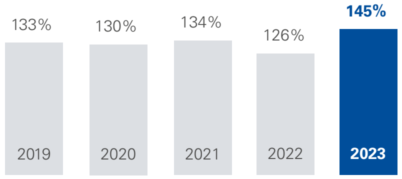


FINANCIAL STRENGTH

Solvency ratio[1, 2, 3]

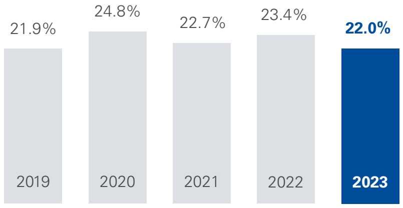
Better recognition of the Company's financial strength under IFRS 17 and IFRS 9

Above 120% operating target



Debt ratio[1, 2, 3]

Debentures and preferred shares/capital structure

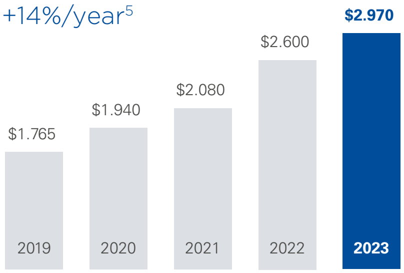


VALUE CREATION

Dividend

Dividend paid per common share

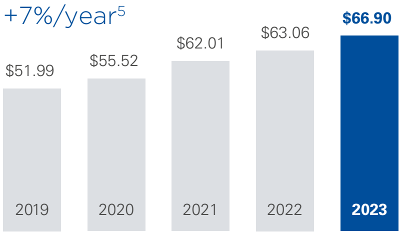
+14%/year[5]



Book value[2, 3, 4]

Per common share

+7%/year[5]



[1] This item is a non-IFRS measure; see the "Non-IFRS and Addition Financial Measures" section in this document for relevant information about such measures.

[2] 2022 figures as disclosed according to the IFRS 4 accounting standard.

[3] As at December 31.

[4] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

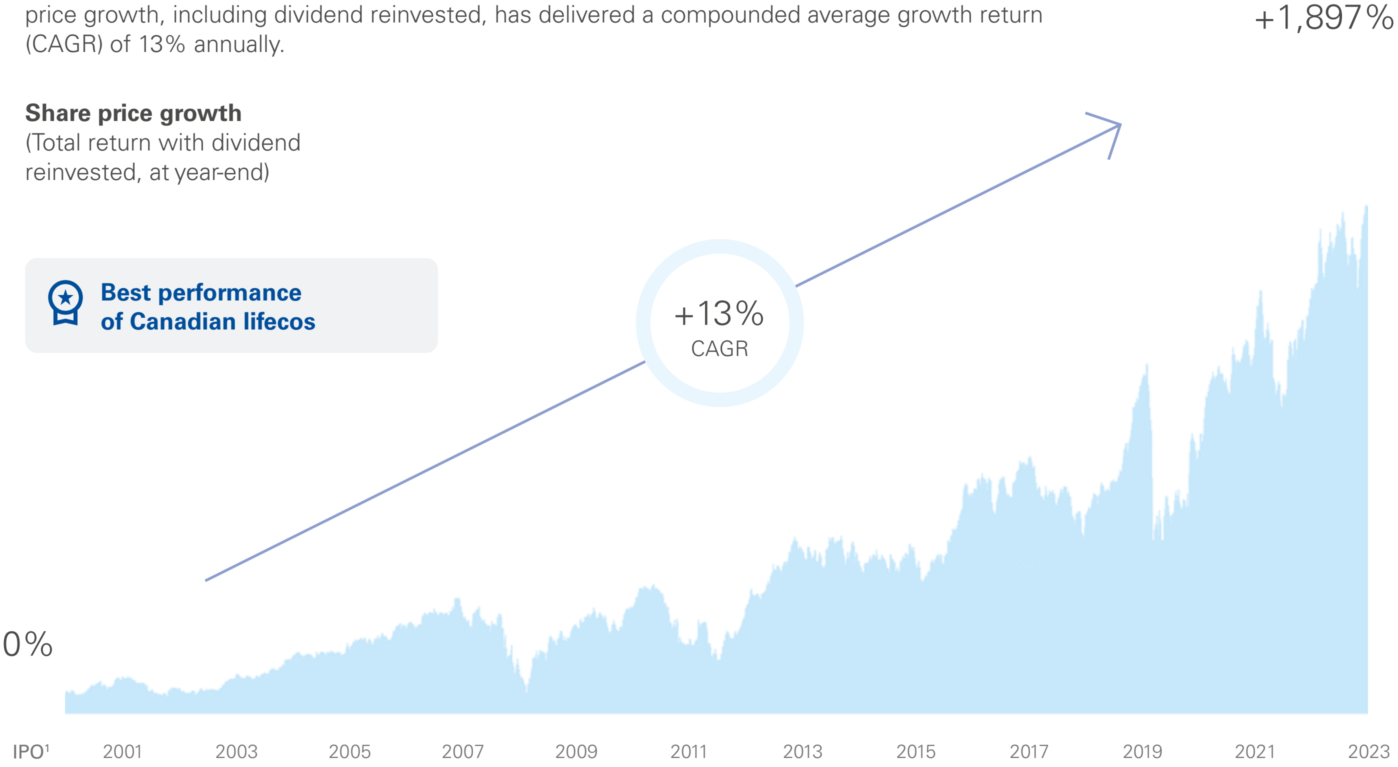
[5] Four-year compound annual growth rate.

CREATING SIGNIFICANT VALUE FOR SHAREHOLDERS

iA Financial Group is committed to ensuring consistent returns for its shareholders while fostering initiatives designed to drive sustainable, long-term growth for the Company. The continued growth in the Company's common share price speaks to the effectiveness of our strategy and the opportunities for growth that lie ahead for our organization. Since the initial public offering (IPO) in 2000, the share price growth, including dividend reinvested, has delivered a compounded average growth return (CAGR) of 13% annually.

Share price growth
(Total return with dividend reinvested, at year-end)

Best performance of Canadian lifecos

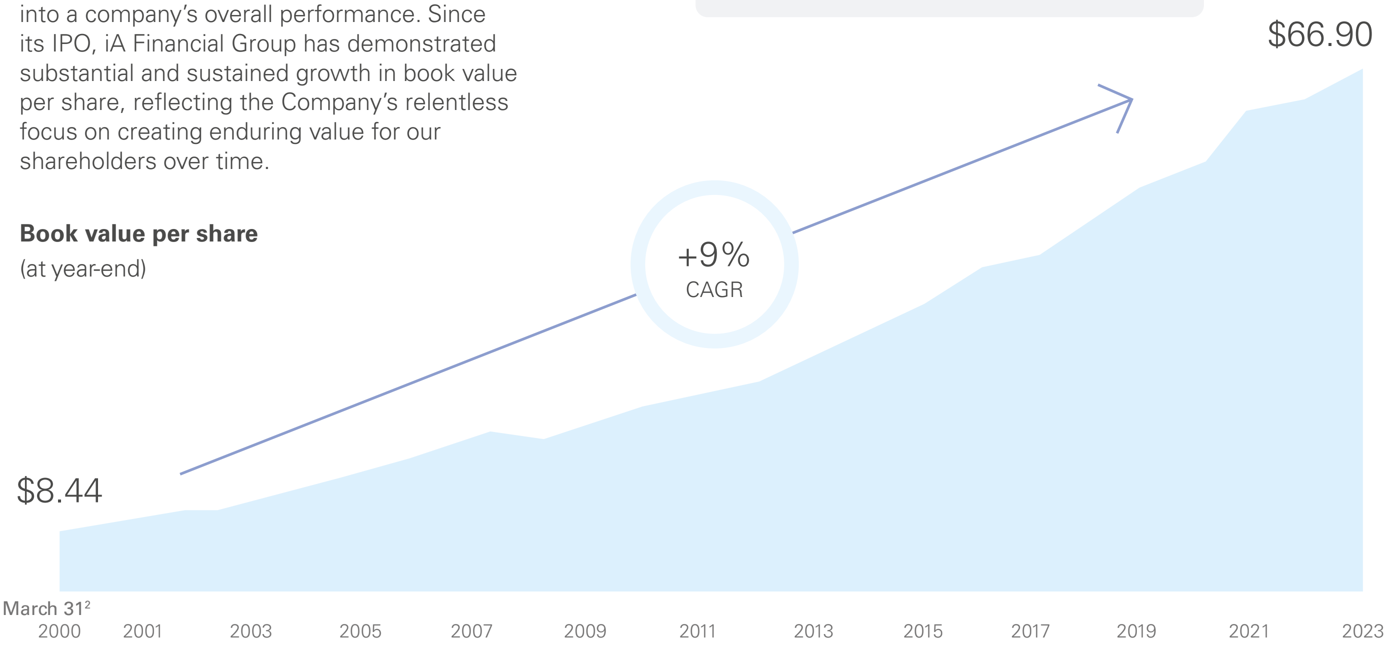


SUSTAINED GROWTH IN BOOK VALUE PER SHARE (BVPS)

The book value per share is an unbiased indication of value creation, providing further visibility into a company's overall performance. Since its IPO, iA Financial Group has demonstrated substantial and sustained growth in book value per share, reflecting the Company's relentless focus on creating enduring value for our shareholders over time.

In 2023, the Company recorded the strongest BVPS growth among major Canadian lifecos. Excluding the impact of the share buyback program (NCIB), the BVPS grew by 8% during the year.

Book value per share
(at year-end)



[1] Initial public offering at Feb. 3, 2000, when iA became a public company.

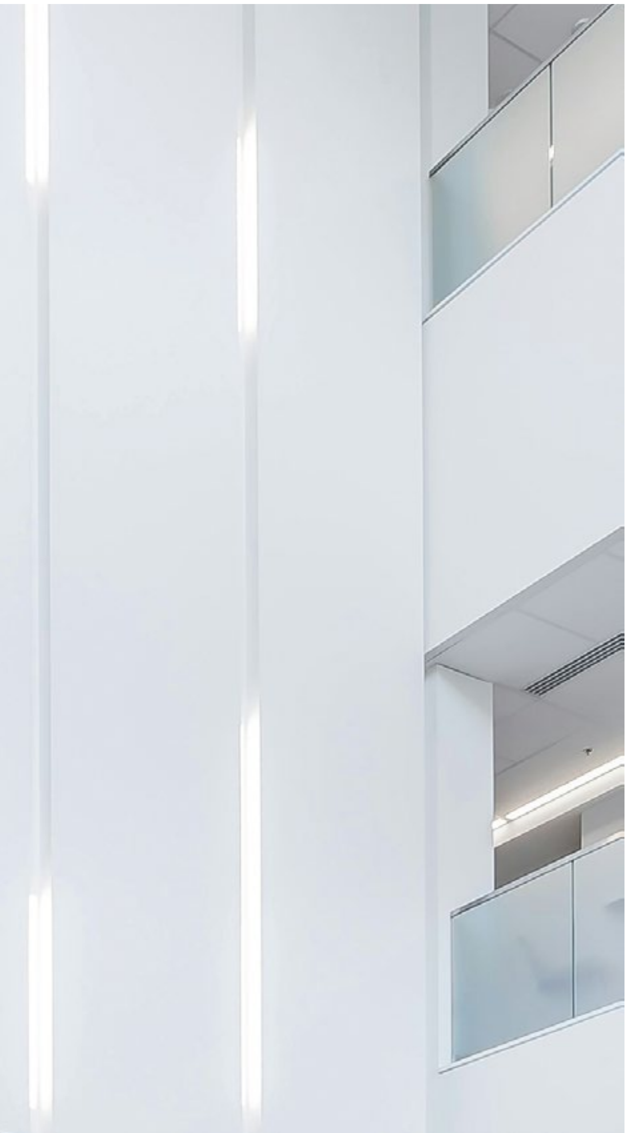
[2] First disclosed book value as a public company.

BUSINESS GROWTH

As an integral part of our strategy, organic growth is a key driver of our Company's success and expansion. Business growth was solid in 2023, with robust sales results recorded in almost all business units, reflecting the strength of our diversified business model. As a result, premiums and deposits grew by 8% during the year to reach $16.6 billion and assets under management and administration increased by 11% to end the year at $218.9 billion. This sound performance was also due in part to the scope and diversity of the Company's distribution networks, the range and relevance of its products, and the effectiveness of the digital tools available to representatives, clients and employees.

FINANCIAL STRENGTH

The Company's financial strength is underscored by a robust solvency ratio standing at 145%[1], well above the Company's operating target of 120%, along with a debt ratio of 14.6%[2], providing great flexibility. In 2023, the solvency ratio significantly increased, primarily due to better recognition of the Company's strong risk management practices through the introduction of the new accounting regime. Our robust capital position, supported by continued organic capital generation, serves as a solid foundation for our resilience in the market, sustainable success and long-term stability for all stakeholders.



$1.6B IN CAPITAL AVAILABLE FOR DEPLOYMENT

iA Financial Group has the means to achieve its growth ambitions, with $1.6 billion in capital available for deployment at the end of 2023, further supported by an organic capital generation of at least $600 million targeted for 2024. The Company intends to invest in its organic and acquisition-led growth strategy and to return value to shareholders according to the following priorities.

Profitable organic growth

Investing in digital evolution to propel growth

Disciplined acquisitions

Strengthening strategic positioning

Steady dividend growth

25%-35% target payout ratio based on core earnings

Share buyback program

Up to 5% of outstanding shares[3]

[1] At December 31, 2023. The solvency ratio is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures. The pro-forma solvency ratio is approximately 142%, as at December 31, 2023, considering the acquisition of Vericity announced in October 2023.

[2] Calculated at December 31, 2023 as: debentures, preferred shares issued by a subsidiary and other equity instruments/(capital structure + post-tax contractual service margin (CSM)).

[3] Between November 14 2023 and November 13, 2024.

SUSTAINABILITY

INTEGRATED SUSTAINABILITY AT iA FINANCIAL GROUP

In 2023, iA Financial Group identified three action levers through which it will make a significant positive impact:

1. **Physical, Mental and Financial Health:** Through its business model and the positive benefits it can generate, iA Financial Group prioritizes physical, mental and financial health as an essential lever for sustainability.
2. **Education and Learning:** iA Financial Group has made education and learning its second priority. It is essential both to share our knowledge and to keep learning.
3. **A Sustainable Future:** iA Financial Group is convinced that everyone, in their own way, can help make the world a better place and work together for a sustainable future.

To identify these levers, we conducted our first materiality assessment with our stakeholders. As part of this exercise, we consulted a representative range of stakeholders: employees, senior management, directors, investors, suppliers and clients.

This assessment enabled us to strengthen our strategy by leveraging related opportunities linked to 21 prioritized ESG topics.

OUR ACTIONS IN 2023

Sustainable Finance

We set up an ESG data infrastructure to assess our investment portfolios using ESG assessment tools on a larger scale.

We focused on creating a credibility scorecard for the transition plan. In 2024, this tool will enable us to gauge the readiness of the most carbon-intensive emitters in our portfolio to make the transition to a low-carbon economy. We have adopted a collaborative approach and intend to meet with these emitters to understand their approach.

We released our first publicly accessible Principles for Responsible Investment (PRI) report.

Since 2022, we have been part of two collaborative engagement initiatives—Climate 100+ and Climate Action Canada—with a view to creating a positive impact. In 2023, we took part in engagements with companies on the reference list and shared our knowledge with investors in the initiatives.

Environment

Our climate strategy consists of five long-term objectives with the aim of contributing to the fight against climate change. The following is a brief summary of our actions over the past year on each of these objectives.

Long-term goals	Actions taken and specific measures to achieve these goals
1. Reduce greenhouse gas emissions in our operations and our investment portfolio	In 2023, iA Financial Group updated its decarbonization strategy, particularly its GHG emission reduction targets, where new targets were adopted. By 2035 (using 2022 as the base year), we aim to: — Act as a responsible corporate citizen by reducing the GHG emission intensity of our Canadian real estate holdings by 60%;[1] — Act as a responsible investor by reducing the carbon intensity of our public corporate bond portfolio by 40%[2].
2. Integrate climate considerations into all processes and decisions, including our investments	Our roadmap includes integrating climate considerations into our strategy, decision-making and reporting processes, our risk taxonomy and, more broadly, all our activities. For example, in 2024, we will begin analyzing and mapping the exposure of our investments according to some industries to develop an action plan, and we will revise the section on climate risks in the *Risk Appetite and Tolerance Statement*, including the indicators to be included in reporting.
3. Implement sound climate change risk management and build resilience to the physical impacts of climate change across our operations	In 2023, we adopted our first *Climate Risk Management Corporate Policy*, which provides a framework for our processes and practices in this area. At the same time, we also developed a roadmap for future work.
4. Strengthen climate-related disclosure in line with the TCFD (or any future equivalent) recommendations and facilitate disclosure by investment portfolio companies	iA Financial Group remains committed to transparency with its stakeholders, which discloses the following: — The *2023 TCFD Report*; — The *CDP Report*; — The *2022 Sustainable Bond Framework*, based on the International Capital Market Association (ICMA) *2021 Sustainability Bond Guidelines, 2021 Green Bond Principles* and *2021 Social Bond Principles,* and the *2022 Annual Sustainability Bond Use of Proceeds Report*; — The *2023 Private Transparency Report*; — GHG accounting in accordance with the GHG Protocol and the Partnership for Carbon Accounting Financials (in the appendix to our *2023 Sustainability Report*). In addition, we are monitoring the development of climate change standards and regulatory frameworks, such as IFRS S1/S2, CSDS 1/CSDS 2, and the Autorité des marchés financiers' draft *Climate Risk Management Guideline*.
5. Contribute to advancing the understanding of the impacts of climate change on the insurance industry	In 2023, iA Financial Group established a sustainability community of practice, where members can share common concerns, consolidate expertise and develop new knowledge related to ESG initiatives. Executives and employees of iA Financial Group also engage with organizations concerned with sustainability and climate change.

[1] With the exception of a few buildings.

[2] The portion of the public corporate bond portfolio subject to the decarbonization commitment represents investments of approximately $13.5 billion as of January 16, 2023.

Social

iA Financial Group launched its first voluntary self-identification campaign, recognizing the importance of getting to know each other better to effectively promote equity, diversity and inclusion. The results will be used to identify issues and develop concrete action plans to address them. iA Financial Group has continued its commitment to the **Progressive Aboriginal Relations**™ (PAR) certification process established by the Canadian Council for Aboriginal Business and has completed the first phase, which consists of deploying an internal structure, notably through the implementation of an internal policy, the creation of a communications plan and the launch of awareness-raising activities such as training on Indigenous realities for our executives. Finally, we stayed the course in philanthropy in 2023, with philanthropic contributions of $9.4 million to various organizations helping people in Canada and the United States.

Governance

iA Financial Group has always attached great importance to establishing and maintaining sound and prudent corporate governance in the interests of the Corporation and its stakeholders. In 2023, we revised our *Sustainability Policy*, with the aim of (1) establishing an organization-wide sustainability reference framework based on the three levers named above, and (2) improving accountability to the Board of Directors and various committees.

Finally, we continue to adhere to best corporate governance practices in order to preserve the Board's independence and its ability to effectively oversee the Corporation's activities. These practices are underpinned by a strong culture of integrity and ethics, as well as a sound and prudent approach to risk management. These are the reasons why we support our various business sectors in integrating ESG factors into their respective strategic planning.

Sustainability Report

For more information on iA Financial Group's sustainability initiatives and achievements, refer to the *2023 Sustainability Report*, available on our website at **ia.ca**. This report is not incorporated by reference in this Annual Report.

Proven values, looking to the future
2023 Sustainability Report
iA Financial Group

MESSAGE FROM THE CHAIR OF THE BOARD

Jacques Martin
Chair of the Board

With the strength and solidity of its business model, iA Financial Group is well positioned to develop its business, grow its revenues and create shareholder value in the coming years, while adjusting to potential macroeconomic fluctuations.

In 2023, the Company carried out the major undertaking of drawing up its 2030 strategic plan. It was a vast, rigorous process that led to the definition of its strategic priorities for the next seven years.

In the pages that follow, the President and CEO explains these priorities and comments on the Company's performance and key achievements for the year.

The Board of Directors would like to highlight that, in addition to completing the transition to the new IFRS 17 and IFRS 9 accounting standards, iA Financial Group continued to perform well in 2023. Business growth remained solid overall, profitability was on target and, above all, the capital position remained extremely robust.

The Company's sales performance demonstrates the strength of its business model, the diversity and quality of its distribution networks, the vast range of products it offers, and the effectiveness of the digital tools available to representatives, clients and employees.

Core earnings amounted to $956 million in 2023. The Company has a solid capital position, with a solvency ratio of 145%.

The dividend per common share paid in 2023 increased 14% over 2022.

Numerous achievements

The Company announced the acquisition of Vericity, a U.S. life insurance carrier and digital agency. With this acquisition, which is scheduled to close in the first half of 2024, the Company will increase the size of its already well-established and successful individual life insurance business in the United States.

In 2023, the Company continued to vigorously promote sustainability and develop numerous and significant environmental, social and governance (ESG) initiatives. It also set new targets for reducing its greenhouse gas (GHG) emissions.

The Company also continues to implement its dynamic FLEXIBLE Working Model. This model allows the majority of employees to choose where to work on a daily basis in order to be most productive, and encourages balanced use of the two main workplaces: the office and the home. iA Financial Group is ranked the 48th best employer in Canada by Forbes out of more than 300 Canadian organizations employing 500 people or more.

The Company is also developing an extensive Global Client Experience program. This program focuses on aligning the entire organization with client needs. It will help to deliver an even more streamlined and consistent client experience, and to achieve the Company's growth objectives.

Governance practices

iA Financial Group has always placed a high priority on establishing and maintaining sound and prudent corporate governance in the interests of the Company and its stakeholders.

The Company adheres to corporate governance best practices, which are based on a strong culture of integrity and ethics and a sound and prudent approach to risk management.

In 2023, the Company was ranked 7th out of 219 companies by The Globe and Mail (Board Games). This is a major ranking of the largest Canadian companies listed on the Toronto Stock Exchange in terms of the quality of their corporate governance practices.

About the Board

In November 2023, we announced the appointment of Martin Gagnon to the boards of directors of iA Financial Corporation Inc. and Industrial Alliance Insurance and Financial Services Inc.

Mr. Gagnon has over 25 years of experience in banking, asset management and brokerage firms. He holds a Bachelor of Business Administration with a specialization in Finance from the Université du Québec à Montréal and a Master of Business Administration from the University of British Columbia. He also holds the Chartered Financial Analyst (CFA) designation.

In January 2024, we announced the appointment of Alka Gautam to the Board of Directors of iA Financial Corporation Inc.

Ms. Gautam has over 20 years of experience in the reinsurance and insurance sectors. She holds a Bachelor of Science and a Master of Business Administration from Dalhousie University. She is a member of Chartered Professional Accountants (CPA) Nova Scotia and the Institute of Corporate Directors (ICD.D).

These two appointments took effect in January 2024.

In addition, Danielle G. Morin informed us of her intention not to stand for re-election to the Board at the next Annual Shareholder Meeting, to be held on May 9, 2024.

Ms. Morin has been a director since May 2014. Her extensive experience in finance has been a valuable asset for the Board. I would like to acknowledge her dedication and commitment to the Company, and sincerely thank her for her considerable contribution to our activities.

As of December 31, 2023, the percentage of women serving on the iA Financial Corporation Board was 50% (54% for independent directors). If all the director nominees presented are elected, the percentage of women who will serve on the Board in 2024 will be 47% (50% for independent directors).

On behalf of the Board, I would like to thank the Company's clients, shareholders and policyholders for their trust and support. I would also like to congratulate and thank the executive team and all employees of iA Financial Group who, through their efficiency and unfailing dedication, successfully rose to the challenges of 2023.

Jacques martin

Jacques Martin
Chair of the Board

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT

Denis Ricard
President and Chief Executive Officer

Proven values, looking to the future

Following a successful transition to the new IFRS 17 and IFRS 9 accounting standards, along with good performance in 2023, we entered 2024 with a great deal of confidence and optimism for the future.

In 2023, we defined our strategic direction for the next seven years with the 2030 Strategic Plan. As part of this process, we reformulated our ambition: to be the leading financial institution that best combines the human and digital experience.

The theme of this year's annual report, "Proven Values, Looking to the Future," perfectly describes iA Financial Group's enviable position today as a solid company that generates growth year after year, while vigorously shaping a promising future.

One of these proven values, which we never stop investing in, is people. We're a learning organization, which means our employees are continually developing their skills. We play an important role in the financial literacy of our clients and communities. We also support our representatives in their essential role of providing clients with sound advice.

We have known for many years that the future would be digital. That's why we are constantly investing in the modernization of our technology platforms for the benefit of our advisors and clients. For example, in 2021 we embarked on a vast digital transformation to position ourselves for the future and continue to keep pace with advances in technology. We provide our distribution networks with technology tools not only to improve efficiency, but also and above all to ensure that our representatives have even more time to support and advise their clients. This is what we call "augmented intelligence," or in other words, artificial intelligence that supports human relationships.

On that note, 2023 will go down in history as the year in which generative AI really took off and captured the world's attention. iA Financial Group was no exception. We were already investing in several AI initiatives, which positioned us well to take advantage of the latest innovations. We're ready for the future and we see a world of opportunities opening up for iA Financial Group.

Four strategic priorities

Our goal and ambition led to the development of four strategic priorities for the next seven years, all aimed at a single, focused direction: sustainable growth.

The first strategic priority is capital deployment.

Thanks to the combination of iA Financial Group's long-standing culture of prudent capital management and the transition to IFRS 17 and IFRS 9, we find ourselves in a very favourable position. Our capital available for deployment increased significantly in 2023 and will continue to accumulate at a rapid pace over the course of the 2030 Strategic Plan.

Guided by the same spirit of prudent risk management, we will focus our efforts and energy on major acquisition opportunities, ambitious organic growth targets and the strategic use of share buybacks and shareholder dividends.

Our second priority is to be a learning organization. For us, this is a key strategy for our future growth, for attracting and retaining talent, and for enabling our employees to remain successful in an environment where AI will become increasingly important. This approach is about far more than just training.

We're reshaping our culture so that professional and personal development are central to everyday tasks and projects.

Drawing on our vast pool of experience and skills, we encourage mentoring and coaching, turning every employee into a learner AND a teacher, not only with their colleagues, but with clients and communities as well. In addition, we invest in both traditional and innovative training formulas to support appropriate development paths specifically adapted to our employees. We also place a great deal of importance on mobility as a lever for professional development and as an integral part of iA's culture.

Our third priority, closely related to the previous one, is to maximize our operational efficiency.

While attracting and working with the best and brightest minds in the industry and fuelling their efforts with more available capital, we will work diligently to achieve our ambitions.

We will ensure that all our efforts are invested to maximize our return so we can continue to grow successfully over the seven years of this strategic plan.

Lastly, our fourth priority is the Global Client Experience (CX).

This growth area, which is based on close collaboration with the various business segments, will actively contribute to growing our client base and revenues, while enhancing the quality of our service offering throughout the organization.

Our vision of the client experience is constantly evolving based on our clients' expectations. Nevertheless, our objective remains the same: to meet their needs as effectively as possible.

Our client focus requires us to have a clear understanding of our clients' expectations and to work closely with our partners to effectively deliver top-quality products and services, along with an exceptional experience.

Financial results on target

iA Financial Group had a good year in 2023, thanks to the vigorous performance of our business units.

Business growth remained solid in almost all business units. Assets under management and administration ended the year at $218.9 billion, a solid increase of 11% over the previous year end. Premiums and deposits totalled more than $16.6 billion in 2023, up 8% from 2022.

Our good sales results attest to the strength of our diversified business model. This strong performance is also due in part to the scope and diversity of our distribution networks, as well as to our product line and the effectiveness of the digital tools available to our representatives, clients and employees.

The Company maintained a solid solvency ratio throughout the year, exceeding the target we had set. Our solvency ratio was 145% at December 31, 2023. Organic capital generation was very strong, in line with the $600 million-plus guidance given to the markets for the year.

We were also proactive in terms of capital deployment, with major investments in organic growth and digital transformation, our announcement of the acquisition of Vericity, a U.S. life insurance carrier and digital agency, a 14% increase in the dividend per share compared with 2022, and significant share buybacks totalling $461 million.

At the end of 2023, book value per share was $66.90, up 6% from the previous year, or 8% excluding the impact of the share buyback program.

In terms of profitability, core earnings totalled $956 million in 2023, while diluted core earnings per share (EPS) amounted to $9.31, up 4% over the 2022 restated result. At 14.4%, return on common shareholders' equity (ROE) is aligned with our medium-term target of 15%+. On a reported basis, which includes the impact of volatile items (primarily short-term macroeconomic variations), net income attributed to common shareholders was $769 million, EPS was $7.48 and ROE was 11.6%.

Transition to IFRS 17 and IFRS 9 accounting standards

I would like to highlight that the transition to IFRS 17 and IFRS 9 went smoothly and efficiently, with no impact on book value per share.

To ensure an effective transition, we incorporated guiding principles into the decision-making process, prioritizing capital, a long-term vision, solid risk management, transparency and sound financial practices.

It should be emphasized that our efficient business model, our ambition and our strategy, which had already proven themselves in the past, were in no way affected by the transition. In addition, while iA Financial Group remains capital-focused and committed to a long-term vision, the new standards better reflect our financial strength, robust capital position and resilient balance sheet.

Sustainability

In 2023, we consulted our stakeholders and completed an extensive materiality assessment, thereby creating a solid foundation for our future sustainability actions.

On the environmental front, we updated our decarbonization strategy, particularly with regard to reducing our greenhouse gas (GHG) emissions, for which new targets were adopted.

By 2035, we are aiming to reduce the GHG emission intensity of our Canadian real estate holdings by 60%, and the carbon intensity of our public corporate bond portfolio by 40%. We also adopted our first Climate Risk Management Corporate Policy, which provides a framework for our processes and practices in this area.

On the social front, we completed Phase 1 of the Progressive Aboriginal Relations (PAR) certification from the Canadian Council for Aboriginal Business. Lastly, we continued our philanthropic efforts, with a total of $9.4 million in donations to various charities in Canada and the United States.

In terms of corporate governance, iA Financial Group has always placed a great deal of importance on establishing and maintaining sound and prudent corporate governance in the interests of its stakeholders. iA adheres to best practices in this area in order to preserve the independence of the Board of Directors and its ability to effectively oversee the Company's activities. These practices are based on a strong culture of integrity and ethics and a sound approach to risk management.

Executive Committee changes

In 2023, we announced some changes to our Executive Committee to align our organizational structure with our strategic priorities, particularly in terms of growth.

We appointed Pierre Miron as Executive Vice-President and Chief Growth Officer, Canadian Operations, and Mike L. Stickney as Executive Vice-President and Chief Growth Officer, US Operations and Co-Head of Acquisitions. Their vast experience and in-depth knowledge of their respective markets will ensure healthy, sustained growth of the business segments under their responsibility. To support this growth, Mike L. Stickney shares responsibility for acquisitions with Denis Berthiaume, Executive Vice-President, Strategy and Performance and Co-Head of Acquisitions. Denis Berthiaume is a recognized leader in the financial sector, with extensive experience in various executive functions throughout his career. He joined iA in August 2023.

Two executives retired during the year: Jacques Potvin, Executive Vice-President, Chief Financial Officer and Chief Actuary, and Lilia Sham, Executive Vice-President, Corporate Strategy and Development. I would like to thank both of them personally for their immense contributions to the success of the Company, and for their deep commitment to our ambitions.

Following the retirement of Jacques Potvin, iA Financial Group announced the appointment of Éric Jobin as Executive Vice-President, Chief Financial Officer and Chief Actuary. Éric Jobin was formerly Executive Vice-President, Group Benefits and Retirement Solutions, and more recently, Executive Vice-President, Operational Efficiency.

All other members of the Executive Committee have remained in their current positions.

These significant changes to iA's Executive Committee have enabled us to align and focus our energies on our strategic ambitions. They create greater synergies between our sectors and additional growth opportunities for our managers and employees.

We are even stronger and more determined than ever to generate growth for the benefit of all our stakeholders. Our strategies and achievements are driven by the strength of our proven values, but at the same time we stand, with steadfast determination, looking to the future.

Denis Ricard
President and Chief Executive Officer

EXECUTIVE COMMITTEE

Denis Ricard
President and
Chief Executive Officer

Alain Bergeron
Executive Vice-President
and Chief Investment Officer

Denis Berthiaume
Executive Vice-President,
Strategy and Performance
and Co-Head of Acquisitions

Stephan Bourbonnais
Executive Vice-President,
Wealth Management

Stéphanie Butt Thibodeau
Executive Vice-President and
Chief Talent and Culture Officer

Éric Jobin
Executive Vice-President,
Chief Financial Officer and
Chief Actuary

Renée Laflamme
Executive Vice-President,
Individual Insurance,
Savings and Retirement

Pierre Miron
Executive Vice-President,
Chief Growth Officer Canadian
Operations

Sean O'Brien
Executive Vice-President,
Group Benefits and
Retirement Solutions

Philippe Sarfati
Executive Vice-President
and Chief Risk Officer

Michael L. Stickney
Executive Vice-President,
Chief Growth Officer
US Operations
and Co-Head of Acquisitions

This information is as of March 28, 2024.

BOARD OF DIRECTORS

◆ ▼

Jacques Martin
- Chair of the Board since 2018
- Board member since 2011
- Corporate Director

●

William F. Chinery
- Board member since 2021
- Corporate Director

● ◆

Benoit Daignault
- Board member since 2019
- Corporate Director

◆

Nicolas Darveau-Garneau
- Board member since 2018
- Corporate Director

●

Martin Gagnon
- Board member since 2024
- Corporate Director

▲

Alka Gautam
- Board member since 2024
- Corporate Director

● ▼

Emma K. Griffin
- Board member since 2016
- Corporate Director

▲

Ginette Maillé
- Board member since 2019
- Corporate Director

▲ ◆

Monique Mercier
- Board member since 2019
- Corporate Director

▲ ▼

Danielle G. Morin
- Board member since 2014
- Corporate Director

◆ ▲

Marc Poulin
- Board member since 2018
- Corporate Director

▲ ▼

Suzanne Rancourt
- Board member since 2021
- Corporate Director

Denis Ricard
- Board member since 2018
- President and Chief Executive Officer of iA Financial Group
- Actuary

●

Ouma Sananikone
- Board member since 2022
- Corporate Director

▼

Rebecca Schechter
- Board member since 2022
- Senior Vice-President and General Manager of the Dragon Ambient eXperience (DAX) at Nuance Communications Inc.

Ludwig W. Willisch
- Board member since 2021
- Corporate Director

Amélie Cantin
Corporate Secretary

● Investment Committee
▲ Audit Committee
▼ Risk Governance and Ethics Committee
◆ Human Resources and Compensation Committee

This information is as of March 28, 2024.

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for the year ended
December 31, 2023, as
published on February 20, 2024

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† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Notice

Legal Constitution and General Information

iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is a stock company constituted on February 20, 2018 under the *Business Corporations Act* (Quebec). At the time of its constitution, it was a wholly-owned subsidiary of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") and had no business operations. On January 1, 2019, the plan of arrangement previously approved by the shareholders of iA Insurance and endorsed by the court was completed and put into place. Consequently, on January 1, 2019, a certificate of arrangement was issued by the Quebec Enterprise Registrar, and iA Financial Corporation became the parent company of the iA group, holding all common shares of iA Insurance. Until December 31, 2018, iA Insurance was the parent company of the iA group. Upon completion of the arrangement, iA Insurance's issued and outstanding preferred shares and debentures remained issued by iA Insurance and were guaranteed by iA Financial Corporation in accordance with the terms of the arrangement.

iA Financial Corporation is a "successor issuer" of iA Insurance as defined in securities regulations with respect to the common shares previously issued by iA Insurance. The comparative figures prior to 2019 presented in this Management's Discussion and Analysis are therefore the same as those of iA Insurance.

iA Financial Corporation is not regulated under the *Insurers Act* (Quebec). However, iA Financial Corporation will maintain the ability to supply capital, if it considers it necessary, to iA Insurance so that the latter meets the capital adequacy requirements of the *Insurers Act* (Quebec). Pursuant to an undertaking, iA Financial Corporation will disclose its capital position on a quarterly basis. A copy of the undertaking (to which the Autorité des marchés financiers is an intervening party) was filed under the SEDAR+ profiles of iA Financial Corporation and iA Insurance at sedarplus.ca.

iA Financial Corporation is governed by the *Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the "1999 Private Bill"), as amended by the *Act to amend the Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the "2018 Private Bill," collectively with the 1999 Private Bill, the "Private Bill"). The 1999 Private Bill was enacted by the Quebec National Assembly on November 26, 1999, and its amendment, the 2018 Private Bill, was enacted on June 15, 2018. The Private Bill prohibits any person and his/her affiliates from acquiring, either directly or indirectly, voting shares of iA Financial Corporation if the acquisition results in the person and his/her affiliates holding 10% or more of the voting rights related to the shares. The Private Bill further provides that in the event that an acquisition is made in contravention of the foregoing, an individual on behalf of whom the shares are acquired cannot exercise the voting rights attached to the aggregate of his/her shares for as long as they are in contravention of this provision. In addition, under this Private Bill, iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance.

Unless otherwise indicated, all information presented in this Management's Discussion and Analysis is established as at December 31, 2023, or for the year ended on that date.

Unless otherwise indicated, all amounts that appear in this Management's Discussion and Analysis are denominated in Canadian dollars. The financial information is presented in accordance with International Financial Reporting Standards (IFRS), as they apply to life insurance companies in Canada, and with the accounting requirements prescribed by the regulatory authorities.

iA Financial Group is a business name and trademark of **iA Financial Corporation Inc.** and **Industrial Alliance Insurance and Financial Services Inc.**

This Management's Discussion and Analysis is dated February 20, 2024.

Note regarding 2022 restated results – The Company's 2022 annual results have been restated for the adoption of IFRS 17 *Insurance Contracts* and the related IFRS 9 *Financial Instruments* overlay ("the new accounting standards"). Additionally, the restated 2022 results are not fully representative of the Company's future market risk profile and future reported and core earnings profile, as the transition of the Company's invested asset portfolio for asset/liability management purposes under the new accounting standards was not fully completed until 2023. Accordingly, analysis based on 2022 comparative results may not be indicative of future trends and should be interpreted within this context. For additional information about risk management under the new accounting standards, refer to the "Risk Management" section of this document.

Non-IFRS and Additional Financial Measures

iA Financial Corporation and iA Insurance (hereinafter referred to individually in this section as the "Company") report their financial results and statements in accordance with International Financial Reporting Standards ("IFRS"). They also publish certain financial measures or ratios that are not based on IFRS ("non-IFRS"). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles ("GAAP") used for the Company's audited financial statements. The Company uses non-IFRS measures when evaluating its results and measuring its performance. The Company believes that non-IFRS measures provide additional information to better understand its financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full year results of the Company's ongoing operations. Since non-IFRS measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure. These non-IFRS measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS measures, there are no directly comparable amounts under IFRS.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure from the Canadian Securities Administrators ("Regulation 52-112") establishes disclosure requirements that apply, respectively, to each of the following categories of non-IFRS measures used by iA Financial Group:

- *Non-IFRS financial measures*, which depict the historical or expected future financial performance, financial position or cash flow, and with respect to their composition, exclude an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the Company's financial statements.
- *Non-IFRS ratios*, which are in the form of a ratio, fraction, percentage, or similar representation, have a non-IFRS financial measure as one or more of their components and are not disclosed in the Company's financial statements.
- *Supplementary financial measures*, which are disclosed on a periodic basis to depict historical or expected future financial performance, financial position, or cash flow and are not disclosed in the Company's financial statements.
- *Capital management measures*, which are financial measures intended to enable the reader to evaluate the Company's objectives, policies, and processes for managing its capital.
- *Segment measures*, which combine financial measures for two or more reportable segments of the Company and are not disclosed in the Company's financial statements.

Below is a description of the non-IFRS financial measures, non-IFRS ratios and supplementary financial measures used by the Company. Additional information is provided, along with a description of the reconciliation to the closest IFRS measure, where applicable.

Non-IFRS measures published by iA Financial Corporation in this document are:

- Return on common shareholders' equity (ROE):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity.

- Core earnings (IFRS 17):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance. Each of these items is classified as a supplementary financial measure and has no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, nor are reconciliations available:
    a. market-related impacts that differ from management's expectations, which include the impacts of equity and investment property markets, interest rates and exchange rate variations on the net investment result (including impacts on net investment income and on finance expenses from insurance and reinsurance contracts) and on the insurance service result (i.e., on losses and reversal of losses on onerous contracts accounted for using the variable fee approach measurement model) and the impacts of the tax-exempt investment income (above or below expected long-term tax impacts) from the Company's multinational insurer status. Management's expectations include:
       i. an expected long-term annual return (between 8% and 9% on average) on non-pass-through non-fixed income asset investments (public and private equity, investment properties, infrastructure and preferred shares);
       ii. that interest rates (including credit spreads) that are observable on the markets at the beginning of the quarter will remain unchanged during the quarter and that liability discount rates for the non-observable period will change as implied in the discount rate curve at the beginning of the quarter; and
       iii. that exchange rates at the beginning of the quarter will remain unchanged during the quarter;
    b. assumption changes and management actions;
    c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
    d. amortization of acquisition-related finite life intangible assets;
    e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
    f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

    Income taxes on items listed above are also removed from reported earnings. Core earnings include all credit-related experience impacts on reported earnings.
  - *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to common shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Core earnings (IFRS 4):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:
    a. market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
    b. assumption changes and management actions;
    c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
    d. amortization of acquisition-related finite life intangible assets;
    e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
    f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

    Note: This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition. The changes to the definition of core earnings at the beginning of 2021 are consistent with the ongoing evolution of the business and help to better reflect and assess the underlying operating business performance, while maintaining consistency with the general concept of the metric and continuity with the previous definition.
  - *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core earnings per common share (core EPS):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Obtained by dividing the core earnings by the diluted weighted average number of common shares.
  - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core return on common shareholders' equity (core ROE):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: There is no directly comparable IFRS financial measure that is disclosed in the financial statements of the Company to which the measure relates.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Components of the drivers of earnings (DOE), on a reported and core basis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Presents earnings broken down by the following key drivers:
    - a. *Insurance service result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
      1. *Expected insurance earnings*, which represent the recurring insurance-related earnings on business in force during the reporting period. It is the sum of the following components:
         - Risk adjustment release, which is the change in risk adjustment for non-financial risk for risk expired.
         - Contractual service margin (CSM) recognized for services provided, which is the contractual service margin recognized in net income for services provided during the period.
         - Expected earnings on PAA insurance business, which is the insurance service result (insurance revenue, net of insurance service expenses) for insurance contracts measured under the premium allocation approach, excluding estimated experience gains (losses).
      2. *Impact of new insurance business*, which is point-of-sale loss of writing new insurance business identified as onerous as per IFRS 17 during the period. The expected profit realized in the years after a contract is issued should cover the loss incurred at the time of issue. The gain of writing new insurance business identified as non-onerous as per IFRS 17 is recorded in the contractual service margin (not in net income).
      3. *Experience gains (losses)*, which are differences between expected and actual insurance claims and expenses as measured by IFRS 17. Also included are: 1) estimated experience gains (losses) on insurance claims and expenses for contracts measured under the premium allocation approach, 2) adjustments related to current and past services, 3) insurance experience that relates to future services for onerous contracts, and 4) market experience for onerous contracts measured under the variable-fee approach. Insurance experience gains (losses) correspond to experience gains (losses), excluding market experience for onerous contracts measured under the variable-fee approach.
      4. *Insurance assumption changes and management actions*, which is the impact on pre-tax net income resulting from changes, on onerous contracts, in non-financial methods and assumptions that relate to future services or other management actions. Changes in non-financial assumptions result from the Company ensuring the adequacy of its liabilities given the Company's own experience in terms of mortality, morbidity, lapse rates, expenses, and other factors. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
    - b. *Net investment result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
      1. *Core net investment result,* which is net investment income, net of finance expenses from contract liabilities and net of investment-related expenses that are part of core earnings. It includes all credit-related experience impacts. It excludes financing charges on debentures.
      2. *Market experience gains (losses)*, which are impacts on net investment income and on finance expenses from contract liabilities of actual market variations (e.g., equity markets, interest rates and exchanges rates) that differ from expectations.
      3. *Financial assumption changes and other*, which is the impact on pre-tax net income resulting from changes in financial methods and assumptions. Changes in financial assumptions result from the Company ensuring the adequacy of its liabilities.
    - c. *Non-insurance activities*, which are revenues net of expenses for non-insurance activities such as, but not limited to, mutual funds, wealth distribution, insurance distribution, group insurance administrative services only (ASO) business and non-insurance dealer services activities.
    - d. *Other expenses*, which are expenses not attributable to either insurance contracts or non-insurance activities, such as, but not limited to, corporate expenses, amortization of acquisition-related intangible assets, financing charges on debentures and intangible asset and goodwill writedowns.
    - e. *Income taxes*, which represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts.
    - f. *Dividends/distributions on equity instruments*, which are dividends on preferred shares issued by a subsidiary and distributions on other equity instruments.
  - *Purpose*: Provides additional information for evaluating the Company's financial performance and is an additional tool to help investors better understand the drivers of shareholder value creation.
  - *Reconciliation*: There is no directly comparable IFRS financial measure for components of the DOE that is disclosed in the financial statements of the Company to which the measure relates.
    - "Insurance service result": Equal to the "Insurance service result" IFRS measure disclosed in the Company's financial statements.
    - "Net investment result": The "Net investment result" disclosed in the Company's financial statements is the most directly comparable IFRS financial measure. A reconciliation with this measure is presented in this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- CSM movement analysis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Presents the movement of the contractual service margin (CSM) on a net-of-reinsurance basis, broken down as follows:
    a. *Organic CSM movement*, which excludes the impacts of items that create undue volatility or are non-representative of the underlying business performance from period to period and helps in better understanding the ongoing CSM value creation, in an approach similar to that of core earnings. It is the sum of the following components:
      1. *Impact of new insurance business*, which is the CSM established from non-onerous insurance contracts initially recognized in the period. It includes the impacts related to policy cancellations and acquisition expenses, and it excludes the impacts of unusual new reinsurance contracts on in-force business that are categorized as management actions.
      2. *Organic financial growth*, which is the movement of the CSM from 1) expected asset returns on underlying items (for insurance contracts measured under the variable-fee approach); and 2) interest accreted based on locked-in discount rates at initial recognition (for insurance contracts measured under the general measurement model).
      3. *Insurance experience gains (losses)*, which is non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.
      4. *CSM recognized for services provided*, which is the CSM recognized in net income for services provided during the period.

    b. *Non-organic CSM movement*, which is the sum of the following components:
      1. *Impact of changes in assumptions and management actions*, which is the impact on non-onerous contracts of changes in methods and assumptions that relate to future services or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its liabilities. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
      2. *Impact of markets*, which represents the market experience for non-onerous contracts measured under the variable-fee approach. It is the impact on fulfilment cash flows of actual market variations (e.g., equity markets and interest rates) that differ from expectations.
      3. *Currency impact*, which is the impact of variations in exchange rates on the CSM, presented in Canadian dollars.
  - *Purpose*: Provides additional information to better understand the drivers of the changes in contractual service margin from one period to another.
  - *Reconciliation*: The total CSM movement equals the sum of the variation of the CSM for insurance contracts and the variation of the CSM for reinsurance contracts disclosed in the note titled “Insurance Contracts and Reinsurance Contracts” in the Company’s financial statements.

- Net impaired loans as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of impaired loans net of allowance for credit losses expressed as a percentage of gross loans.
  - *Purpose*: An indicator of the quality of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total allowance for credit losses (ACL) as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of ACL expressed as a percentage of gross loans.
  - *Purpose*: Provides a measure of the expected credit experience of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Dividend payout ratio:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The percentage of net income attributed to common shareholders, on a reported basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company’s reported revenues shareholders received in the form of dividends.
  - *Reconciliation*: The dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the reported earnings per common share for the period.

- Core dividend payout ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The percentage of net income attributed to common shareholders, on a core earnings basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company’s core revenues shareholders received in the form of dividends.
  - *Reconciliation*: The core dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the core earnings per common share for the period.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

- Organic capital generation:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Excess capital generated in the normal course of business, excluding the impact of the macroeconomic environment, where excess capital is the amount of capital over and above the target ratio, calculated under the CARLI guideline.
  - *Purpose*: Provides a measure of the Company's capacity to generate excess capital in the normal course of business.

- Potential capital deployment, Capital available for deployment, Deployable capital or Capital for deployment:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Amount of capital the Company can deploy assuming a merger or acquisition type transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's own internal targets. The calculation of this amount considers potential capital issuances while taking into consideration the Company's own internal target level and assumes the most restrictive transaction parameters with respect to regulatory capital.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.

- Post-tax contractual service margin (CSM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Calculated as the difference between the contractual service margin (CSM) balance and the product obtained by multiplying the contractual service margin (CSM) balance for each legal entity by the applicable statutory tax rate.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.
  - *Reconciliation*: "Contractual service margin (CSM)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total payout ratio (trailing 12 months):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The sum of common dividends paid and common shares repurchased (buybacks) over the last twelve months divided by the net income available to common shareholders over the last twelve months.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends over a twelve-month period.

- Sensitivity measures:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The impact of macroeconomic variations, such as interest rate and equity market variations, on other Company metrics, such as net income or the solvency ratio.
  - *Purpose*: Used to assess the Company's risk exposure to macroeconomic variations.

- Financial leverage measure – Debentures/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing total debentures by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Debentures + Preferred Shares issued by a subsidiary and other equity instruments/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Financial leverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity and post-tax contractual service margin (CSM).
  - *Purpose*: Provides a measure of the Company's financial leverage.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Financial leverage measure – Coverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred shares issued by a subsidiary, and dividends and redemption premiums on preferred shares issued by a subsidiary (if applicable).
  - *Purpose*: Provides a measure of the Company's ability to meet liquidity requirements for obligations when they come due.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Capitalization:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The sum of the Company's equity and debentures.
  - *Purpose*: Provides an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: This measure is the sum of several IFRS measures.

- Solvency ratio:
  - *Category under Regulation 52-112*: In accordance with the Capital Adequacy Requirements Guideline – Insurance of Persons (CARLI) revised in January 2023 by the Autorité des marchés financiers ("AMF"), this financial measure is exempt from certain requirements of Regulation 52-112.
  - *Definition*: Calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.
  - *Purpose*: Provides a measure of the Company's solvency and allows the regulatory authorities to determine if an insurance company is sufficiently capitalized in relation to the minimum set by the Company's regulator.

- Assets under administration (AUA):
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* All assets with respect to which the Company acts only as an intermediary between a client and an external fund manager.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Assets under management (AUM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: All assets with respect to which the Company establishes a contract with a client and makes investment decisions for amounts deposited in this contract.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under management.
  - *Reconciliation*: "General fund assets" and "Segregated funds net assets" disclosed in the Company's financial statements are IFRS measures and components of the AUM calculation. A reconciliation is presented in this document.

- Individual Wealth Management mutual fund deposits, Group Savings and Retirement deposits, US Operations Dealer Services premium equivalents and Group Insurance Employee Plans ASO, investment contracts and premium equivalents and deposits:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Deposits refer to amounts received from clients under an investment contract. Deposits are not reflected in the Company's income statements.
    b. Premium equivalents refer to amounts related to service contracts (such as Administrative Services Only (ASO) contracts) or related to services where the Company is primarily an administrator. For some business units, they also include the amount of premiums kept externally for insurance contracts where the Company will compensate the counterparty for losses that exceed a specific threshold, or failure to pay. These amounts are not accounted for in "Net premiums".
  - *Purpose*: Premium equivalents and deposits are one of many measures used to assess the Company's ability to generate income from in-force and new business.

- Individual Insurance minimum and excess premium sales, Individual Wealth Management gross and net mutual fund sales, Group Insurance Employee Plans sales, US Operations Individual Insurance sales, Group Insurance Special Markets sales, Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales, iA Auto & Home sales and Dealer Services Creditor Insurance sales:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Individual Insurance minimum and excess premium sales are defined as first-year annualized premiums. Individual Wealth Management total sales (or gross sales) for general fund and segregated fund products correspond to the net premiums. Sales for mutual funds are defined as deposits and include primary market sales of ETFs. Individual Wealth Management net sales for segregated funds and mutual funds correspond to net entries (gross mutual fund sales less withdrawals and transfers). Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (administrative services only).
    b. US Operations Individual Insurance sales are defined as first-year annualized premiums.
    c. Group Insurance Special Markets sales are defined as premiums before reinsurance.
    d. Dealer Services P&C sales are defined as direct written premiums (before reinsurance and cancellations).
    e. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
    f. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
    g. iA Auto & Home sales are defined as direct written premiums.
    h. Dealer Services Creditor Insurance sales are defined as premiums before insurance and cancellations.
  - *Purpose*: Used to assess the Company's ability to generate new business and serve as additional tools to help investors better assess the Company's growth potential.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Net premiums:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*:
    a. Individual Insurance net premiums, Group Insurance Employee Plans net premiums and US Operations Individual Insurance net premiums are defined as premiums reduced by premiums ceded to reinsurers and include both fund entries on new business written during the period and on in-force contracts.
    b. Dealer Services P&C net premiums, US Operations Dealer Services net premiums and iA Auto & Home net premiums are defined as direct written premiums less amounts ceded to a reinsurer.
    c. Group Insurance Special Markets net premiums and Dealer Services Creditor Insurance net premiums refer to gross premiums less amounts ceded to a reinsurer.
    d. Group Savings and Retirement net premiums refer to net premium after reinsurance and exclude premium equivalents.
  - *Purpose*: Premiums are one of many measures used to assess the Company's ability to generate income from in-force and new business.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

RECONCILIATION OF SELECT NON-IFRS FINANCIAL MEASURES

Net investment result

	Fourth quarter			Year-to-date at December 31		
(in millions of dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**	**2023**	**2022**	**Variation**
Net investment result – IFRS Income Statements	308	195	113	680	1	679
Investment income of wealth distribution affiliates *Income statements: Net investment result* *DOE: Non-insurance activities*	(33)	(20)	(13)	(98)	(44)	(54)
Investment expenses *Income statements: Other operating expenses* *DOE: Net investment result*	(3)	(11)	8	(27)	(48)	21
Other revenues and other operating expenses of iA Auto Finance *Income statements: Other revenues and other operating expenses* *DOE: Net investment result*	(20)	(13)	(7)	(78)	(50)	(28)
Income relating to the DSU hedging instrument *Income statements: Change in fair value of investment* *DOE: Other expenses*	(2)	—	(2)	—	—	—
Net investment result – non-IFRS Drivers of Earnings (DOE)	**250**	**151**	**99**	**477**	**(141)**	**618**

Forward-Looking Statements

This document may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", "guidance", "outlook" and "forecast", or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change.

Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. In addition, certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic, operational and regulatory risks, such as: general business and economic conditions; level of inflation; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; actions by regulatory authorities that may affect the business or operations of iA Financial Group or its business partners; risks associated with the regional or global political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group's ability to satisfy stakeholder expectations on environmental, social and governance issues; information technology, data and information security risks, including cyber risks; fraud risk; risks related to human resources; hedging strategy risks; iA Financial Group liquidity risk, including the availability of financing to meet financial commitments at expected maturity dates; risk of incorrect design, implementation or use of a model; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; and the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the COVID-19 pandemic) and acts of terrorism.

- Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document or found in the "Risk Management" section of the Company's Management's Discussion and Analysis for 2023 that could influence the Company's performance or results.

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern, including interest rate hikes by central banks to fight inflation. The war in Ukraine, the Hamas-Israel conflict and tension in China are also causing instability in global markets. These events, among others, could lead to reduced consumer and investor confidence, significant financial volatility and more limited growth opportunities, as well as testing the Company's ability to anticipate and mitigate headwinds in its markets and could negatively affect the Company's financial outlook, results and operations.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2023, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2023 and elsewhere in iA Financial Group's filings with the Canadian Securities Administrators, which are available for review at sedarplus.ca.

The forward-looking statements in this document reflect iA Financial Group's expectations as of the date of this document. iA Financial Group does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Documents Related to the Financial Results

All documents related to iA Financial Corporation's financial results are available on the iA Financial Group website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can be found on the SEDAR+ website at sedarplus.ca, as well as in the Annual Information Form for iA Financial Corporation and for iA Insurance, which can be found on the iA Financial Group website or the SEDAR+ website.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Highlights

The Company recorded good performance in 2023, owing to the dynamism of its business units. These results follow an effective and smooth transition to the IFRS 17 and IFRS 9 accounting standards where the book value per share was maintained.

Core diluted earnings per common share (EPS)† was $9.31, 4% higher than the 2022[1] restated result, and core return on common shareholders' equity (ROE)† was 14.4%, which is aligned with the Company's medium-term target of 15%+.

Business growth continued to be strong in almost all business units as evidenced by the 11% increase in assets under management and administration,† the 8% increase in premiums and deposits† and solid sales† results.

The Company maintained a strong solvency ratio† above its target throughout the year. Organic capital generation† was also very strong, in line with the 2023 guidance of $600+ million for the year.

The Company was active in terms of capital deployment, with considerable investments in organic growth and digital transformation, the acquisition of Vericity, a U.S. life insurance carrier and digital agency, a dividend per share 14% higher than in 2022 and significant share buybacks totalling $461 million.

The book value per share was $66.90 at the end of 2023, 6% higher than a year earlier, or 8% higher excluding the impact of the share buyback program.

At the end of 2023, the adequacy of the Company's actuarial provisions was confirmed with the year-end assumption review process. Also, the investment portfolio remained of very high quality and credit ratings were reaffirmed by Standard & Poor's, DBRS Morningstar and A.M. Best.

Profitability

Core earnings† were $956 million in 2023, core diluted earnings per common share (EPS)† was $9.31, 4% higher than the 2022 restated result and core return on common shareholders' equity (ROE)† was 14.4%, which is aligned with the Company's medium-term target of 15%+. In 2023, expected insurance earnings were up 10% over 2022 and insurance experience was in line with expectations.

On a reported basis, which includes the impact of volatile items (primarily short-term macroeconomic variations), net income attributed to common shareholders amounted to $769 million, EPS was $7.48 and ROE† was 11.6%. Refer to the "Profitability" section of this Management's Discussion and Analysis for more information on the Company's profitability in 2023.

Business Growth

Assets under management and administration† ended the year at $218.9 billion, a strong increase of 11% over the previous year end. Premiums and deposits† totalled more than $16.6 billion in 2023, representing an increase of 8% over 2022. Overall business growth was solid in 2023 with strong sales† results recorded in almost all business units, reflecting the strength of our diversified business model. This sound performance was also due in part to the scope and diversity of the Company's distribution networks, the range and relevance of its products, and the effectiveness of the digital tools available to representatives, clients and employees. Refer to the sections that follow for additional insights on business growth by business unit.

Profitability

(In millions of dollars, unless otherwise indicated)	2023	2022[1]	Variation
Net income attributed to common shareholders	769	309	149%
Earnings per common share (EPS) (diluted) (in dollars)	7.48	2.89	159%
Core earnings†	956	955	—
Core EPS (diluted) (in dollars)†	9.31	8.93	4%
Return on common shareholders' equity (ROE)†	11.6%	4.7%	
Core ROE†	14.4%	14.4%	

Assets Under Management and Administration

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Assets under management†	110,535	99,709	11%
Assets under administration†	108,349	97,717	11%
Total	**218,884**	**197,426**	**11%**

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Premiums and Deposits†,2

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Insurance, Canada			
Individual Insurance	1,985	1,882	5%
Group Insurance	1,882	1,739	8%
Dealer Services	584	482	21%
iA Auto and Home (iAAH)[3]	457	419	9%
Wealth Management			
Individual Wealth Management	7,812	6,833	14%
Group Savings and Retirement	2,565	2,800	(8%)
US Operations			
Individual Insurance	643	548	17%
Dealer Services	706	717	(2%)
Total	**16,635**	**15,420**	**8%**

Sales by Business Segment[4]

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
INSURANCE, CANADA			
Individual Insurance			
Minimum premiums†	328	352	(7%)
Excess premiums†	41	35	17%
Total	369	387	(5%)
Group Insurance			
Employee Plans†	50	46	9%
Special Markets†	367	322	14%
Dealer Services†,5	686	615	12%
iA Auto and Home (iAAH)	519	457	14%
WEALTH MANAGEMENT			
Individual Wealth Management			
Insured annuities and other savings products	2,700	1,203	124%
Segregated funds	3,581	3,908	(8%)
Mutual funds†	1,531	1,722	(11%)
Total	7,812	6,833	14%
Group Savings and Retirement†	2,590	2,827	(8%)
US OPERATIONS			
Individual Insurance ($US)†	172	143	20%
Dealer Services ($US)†	951	1,011	(6%)

Financial Strength

At December 31, 2023, the Company had over $8.5 billion in total capital,† with a solvency ratio† of 145% compared to 126% a year earlier. This increase is mainly due to better recognition of the Company's financial strength under IFRS 17 and IFRS 9 and the strong contribution of organic capital generation.† These favourable items were partially offset by the impact of $461 million in share buybacks (NCIB), the redemption of $150 million in preferred shares and the unfavourable impact of macroeconomic variations. The Company's solvency ratio remained well above the operating target of 120% throughout 2023. As mentioned above, organic capital generation was strong throughout the year, with the Company generating $600 million in additional capital to achieve the annual target of $600+ million. The very good organic capital generation is expected to continue into 2024.[6] In addition, the capital available for deployment was assessed at $1.6 billion at year end, which is a strong result considering the amount of capital that was deployed in 2023 through investments in organic growth and digital transformation, increased dividends to shareholders, as well as the high level of share buybacks (NCIB) during the year.

[2] Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.

[3] Includes iAAH and some minor consolidation adjustments.

[4] Refer to the sections on the Company's different business lines for a definition of sales.

[5] Includes creditor insurance and P&C products.

[6] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

At December 31, 2023, the Company's leverage ratios remained low, which continues to provide flexibility to its balance sheet. More specifically, the debt ratio† measured as debentures, preferred shares issued by a subsidiary and other equity instruments over the capital structure, including post-tax CSM, was 14.6%, down from 16.0% at the previous year end. The decrease is mainly explained by the redemption of preferred shares mentioned above, together with the increase in the post-tax CSM. The coverage ratio,† which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, finished the year at 15.0x compared to 5.7x a year earlier. The increase is mainly due to higher pre-tax earnings as the increase in financing expenses from 2023 capital management was less significant. In terms of capital management, in March and September respectively, the Company redeemed its Class A – Series I preferred shares and its subordinated debentures issued in September 2016. The Company also issued unsecured subordinated debentures in June. Lastly, on November 7, 2023, the Company announced the renewal of its Normal Course Issuer Bid (NCIB), in effect since November 14, 2023. A total of 5,394,180 common shares were redeemed and cancelled in 2023.

For detailed comments on financial strength, refer to the "Financial Position" section of this Management's Discussion and Analysis.

Financial Strength

(As at December 31, 2023)	2023	2022
Solvency ratio†	145%	126%
Debt ratio†	22.0%	23.5%
Coverage ratio†	15x	5.7x

Dividends

The dividend paid in 2023 totalled $2.9700 per common share, compared to $2.6000 per common share in 2022, an increase of 14%. This outcome was supported by the 13% increase in June 2023 of the Company's quarterly dividend per common share, from $0.6750 to $0.7650. The dividend payout ratio based on core earnings† was 32% for the year, which is in the top half of the 25% to 35% guidance given at the beginning of 2023. Lastly, the Board of Directors approved a quarterly dividend per share of $0.8200 payable in the first quarter of 2024, which is 7% higher than the last dividend paid in 2023.

Dividend

	2023	2022
Dividend to common shareholders	$2.9700	$2.6000

Quality of Investment Portfolio

The overall quality of the investment portfolio continued to be excellent in 2023, reflecting its composition of high-quality assets with diversified exposures and prudent positioning. As presented in the table below, bonds rated BB and lower accounted for just 0.6% of the bond portfolio. In addition, the 86.7% occupancy rate of the investment properties portfolio continues to compare favourably with commercial rental properties in large Canadian cities. Also, 68.2% of the mortgage portfolio is insured. For detailed comments on investments, refer to the "Investments" section of this Management's Discussion and Analysis.

Investment Portfolio Quality

(As at December 31, 2023)	2023	2022
Bonds – Proportion rated BB and lower	0.6%	1.0%
Investment properties – Occupancy rate	86.7%	88.3%
Mortgages – Proportion of insured loans	68.2%	69.7%
Car loans – Net impaired loans as a percentage of gross loans	0.41%	0.35%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.21%	4.93%

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Sensitivity Analysis†

The analysis of the Company's sensitivities under IFRS 17 and IFRS 9 was introduced in 2023 and updated as at December 31, 2023. More specifically, the core earnings sensitivities and the immediate sensitivities under IFRS 17 and IFRS 9 to macroeconomic changes were presented at the Investor Session held on March 28, 2023 and are shown in the tables below. The complete analysis of the Company's sensitivities under IFRS 17 and IFRS 9 is explained under "Market Risk" in the "Risk Management" section of this Management's Discussion and Analysis.

Sensitivity Anlaysis†

(As at December 31, 2023)

		Immediate impact			
		Net income (non-core)	**Equity**	**Solvency ratio**	**CSM**
		$M post-tax	*$M post-tax*	*Percentage points*	*$M pre-tax*
Public equity	Immediate +10% change in market values[7]	100	125	(1.0%)	175
	Immediate -10% change in market values[7]	(75)	(100)	0.5%	(200)
Private non-fixed income (NFI) assets	Immediate +10% change in market values of private equity, invest. property and infrastructure	275	300	1.5%	---
	Immediate -10% change in market values of private equity, invest. property and infrastructure	(275)	(300)	(1.5%)	---
Interest rates	Immediate parallel shift of +50 bps on all rates	(25)	25	1.0%	25
	Immediate parallel shift of -50 bps on all rates	---	(50)	(1.5%)	(25)
Corporate spreads	Immediate parallel shift of +50 bps	(25)	50	1.5%	---
	Immediate parallel shift of -50 bps	---	(75)	(1.5%)	---
Provincial gov. bond spreads	Immediate parallel shift of +50 bps	25	---	(0.5%)	75
	Immediate parallel shift of -50 bps	(25)	---	0.5%	(100)

As at December 31, 2023	**Variation**	**Impact on future quarter core earnings** *$M post-tax*[8]	**Description of shock**
Public equity[9]	+5%	4	Immediate +5% change in market values
	-5%	(5)	Immediate -5% change in market values
Private non-fixed income (NFI) assets[9]	+5%	3	Immediate +5% change in market values
	-5%	(3)	Immediate -5% change in market values
Interest rates	+10 bps	2	Immediate parallel shift of +10 bps on all rates
	-10 bps	(2)	Immediate parallel shift of -10 bps on all rates
Credit and swap spreads	+10 bps	2	Immediate parallel shift of +10 bps
	-10 bps	(2)	Immediate parallel shift of -10 bps

Acquisitions and Dispositions

On October 3, 2023, the Company entered into an agreement to acquire the American company Vericity, Inc. and its subsidiaries. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. The closing of the transaction is expected in the first half of 2024.

For more information on the acquisitions completed in 2023, refer to Notes 5 and 31 of the Company's 2023 consolidated financial statements entitled *Acquisition of Businesses* and *Guarantees, Commitments and Contingencies,* respectively.

No notable dispositions occurred in 2023.

[7] Excluding preferred shares.

[8] Impacts on core earnings for the next quarter.

[9] Private equity, investment property and infrastructure.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Sustainability

Summary of 2023 Results

In 2023, after consulting with its stakeholders, iA Financial Group has identified three action levers through which it will make a significant positive impact as it executes its strategy:

1. **Physical, Mental and Financial Health –** Through its business model and the positive benefits it can create, iA Financial Group prioritizes physical, mental and financial health as an essential lever for sustainability.
2. **Education and Learning –** iA Financial Group has made education and learning its second priority. It is essential to both share knowledge and keep learning.
3. **A Sustainable Future –** iA Financial Group is convinced that everyone, in their own way, can help make the world a better place and work together for a sustainable future.

Sustainable Finance

iA Financial Group has set up an environmental, social and governance (ESG) data infrastructure to assess its investment portfolios using ESG assessment tools on a larger scale. In parallel, a credibility scorecard for a low-carbon transition plan has been created to gauge readiness of the most carbon-intensive emitters in their portfolio. iA Financial Group has also adopted a collaborative approach and intends to meet with the emitters to understand their approach.

Finally, iA Financial Group has released its first publicly accessible Principles for Responsible Investment (PRI) report and has been part of two collaborative engagement initiatives since 2022. iA Financial Group continues to share its knowledge and experience in 2023.

Environment

iA Financial Group's climate strategy consists of five long-term objectives, with the aim of contributing to the fight against climate change. These are presented in our *2023 TCFD Report*.

More specifically, in 2023, iA Financial Group updated its decarbonization strategy, particularly with regard to its greenhouse gas (GHG) emissions reduction objectives, for which new targets have been adopted. By 2035 (with 2022 as the base year), the Company aims to act (1) as a responsible corporate citizen by reducing the GHG emissions intensity of its Canadian real estate holdings by 60%, and (2) as a responsible investor by reducing the carbon intensity of the public bond portfolio by 40%.

Moreover, iA Financial Group has continued to integrate climate considerations into its processes and decisions. Among other things, it adopted its first *Corporate Climate Risk Management Policy*, which provides a framework for its processes and practices in this area. At the same time, a roadmap was drawn up for future work.

Social

iA Financial Group launched its first voluntary self-identification campaign, recognizing the importance of knowing oneself better in order to effectively promote equity, diversity and inclusion. The results will be used to identify issues and develop concrete action plans to address them.

iA Financial Group has continued its commitment to the ***Progressive Aboriginal Relations***^{TM} **(PAR)** certification process initiated by the Canadian Council for Aboriginal Business and has completed the first phase, which includes setting up an internal policy, creating a communications plan and implementing awareness-raising activities such as training on Indigenous realities for executives.

Finally, the Company stayed the course of philanthropy in 2023, with philanthropic contributions of $9.4 million to various organizations helping people in Canada and the United States.

Governance

iA Financial Group has always attached great importance to establishing and maintaining sound and prudent corporate governance in the interests of the Company and its stakeholders. It adheres to best corporate governance practices in order to preserve the Board's independence and its ability to effectively oversee the Company's activities. These practices are underpinned by a strong culture of integrity and ethics, as well as a sound and prudent approach to risk management.

In 2023, iA Financial Group revised its *Sustainability Policy*, with the aim of (1) establishing an organization-wide sustainability reference framework based on the three action levers named above, and (2) improving accountability to the Board of Directors and various committees. In addition, the Company supports its various business sectors in integrating ESG factors into their respective strategic planning and decision-making processes.

Changes to Accounting Policies in 2023 and Future Changes in Accounting Policies

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2023.

The Company has applied the new IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* standards. The initial and simultaneous application of these standards had a limited impact on the Company's equity at transition on January 1, 2022, resulting in an increase of $10 million in the shareholders' equity.

For their part, the amendments had no significant impact on the Company's financial statements as at December 31, 2023. For more information on these new standards and amendments, as well as on future changes in accounting policies, refer to Note 3 "Changes in Accounting Policies" and Note 4 "Impact of IFRS 17 and IFRS 9 Adoption" of the consolidated financial statements.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook and Guidance

With the strength and soundness of its business model combined with solid results achieved in recent years, iA Financial Group remains firmly committed to the execution of its business plan and strategy while maintaining a vision of long-term growth. With a robust and flexible balance sheet, the Company is well positioned to continue to grow its business and earnings, maintain its financial strength and create value for its shareholders in the coming years while adjusting to potential macroeconomic fluctuations.

iA Financial Group hosted a virtual Investor Event in March 2023, providing insight into the Company's strategy and outlook for the coming years. As part of its transition to IFRS 17 and IFRS 9, iA Financial Group has elected to provide medium-term guidance, reflecting the Company's longer-term vision and aligned with its approach to sustainable growth.

The following market guidance has been established in the context of a medium-term approach:

Core return on common shareholders' equity (ROE)	15%+
Core earnings per common shares (EPS)	10%+ annual average growth
Solvency ratio operating target	120%
Dividend payout ratio	25% to 35% of core earnings

In addition to this medium-term guidance, the Company is maintaining its organic capital generation annual target of $600+ million for 2024.

Earnings growth in the coming years is expected to come, among other things, from:

- Organic growth, including initiatives to fully leverage the Company's strong and diversified business mix and distribution networks
- Management actions and profitability improvement initiatives
- Acquisitions
- Continuing technology improvements

Transition to IFRS 17 and IFRS 9 accounting standards

The Company transitioned to IFRS 17 and IFRS 9 accounting standards on January 1, 2023, with a retroactive transition date of January 1, 2022.

To ensure an effective transition, the Company incorporated guiding principles into the decision-making process, prioritizing capital, a long-term view, strong risk management, transparency, and economically sound practices.

Importantly, iA Financial Group's successful business model, ambition and strategy, which have proved successful in the past, are firmly intact following the transition, as are its book value and EPS levels. Also, as the Company remains focused on capital and committed to a long-term vision, the new standard better reflects the financial strength of the Company, demonstrating a robust capital position and a resilient balance sheet.

As the sensitivity of core and reported earnings to macroeconomic variations is increased due to the different treatment of assets and liabilities under the new accounting standards, the Company transparently discloses comprehensive sensitivities in order to anticipate the short-term impact of these macroeconomic variations on earnings.

Through the transition to IFRS 17 and IFRS 9, the Company also envisions continued solid growth, bolstering shareholder value, through capital deployment and ROE expansion going forward.

Finally, the new accounting standards facilitate the Company's investment portfolio global management through the Total Portfolio Management approach, delivering an optimized investment strategy and favourable impacts on earnings and capital. Overall, iA Financial Group's successful transition to IFRS 17 and IFRS 9 marks an important milestone and underscores the continued dedication to responsible financial practices while positioning the Company for continued growth and success.

The Company's outlook, including the market guidance provided, constitutes forward-looking information within the meaning of securities laws. Although the Company believes that its outlook is reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic, operational and regulatory risks. In addition, certain material factors or assumptions are applied in preparing the Company's outlook, including but not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company; a business growth rate similar to previous years; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; risks and conditions; and the Company's recent performance and results, as discussed elsewhere in this document. The Company's outlook serves to provide shareholders, market analysts, investors, and other stakeholders with a basis for adjusting their expectations with regards to the Company's performance throughout the year and may not be appropriate for other purposes. Additional information about risk factors and assumptions applied may be found in the "Forward-looking Statements" and "Risk management" sections of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Business Segments

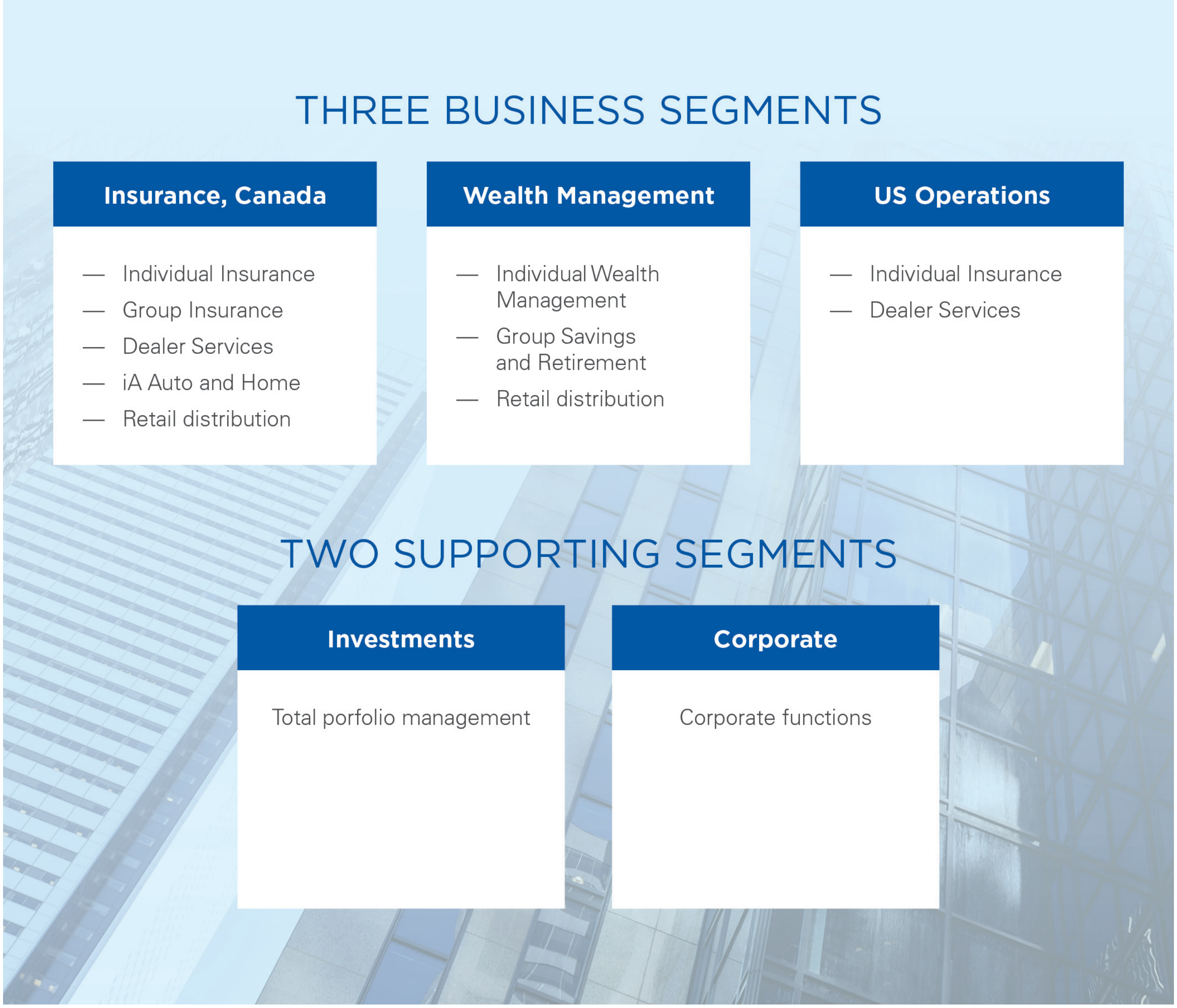
In 2023, iA Financial Group revised the presentation of its business segments to better reflect its activities and organizational structure resulting from its continued dynamic evolution since the IPO in 2000.

By segmenting its operations in this manner, iA seeks to enhance transparency, improve clarity and reinforce alignment with its purpose and internal performance analysis.

Accordingly, the Company categorizes business operations into five segments, including three business segments: Insurance, Canada; Wealth Management; and US Operations, and two supporting segments: Investment and Corporate.

The Insurance, Canada segment offers insurance products to meet all the protection needs of individuals, from group insurance to individual life and health insurance to P&C or ancillary products offered with the purchase of a motor vehicle. The Wealth Management segment offers a diversified range of savings and retirement products, including segregated and mutual funds, which are also offered to individuals and groups. Both segments have extensive and diversified distribution networks. The US Operations segment conducts business through two divisions: Individual Insurance, which offers life insurance products, and Dealer Services, which provides extended warranties, all for the U.S. market.

To sustain the group's overall performance, the Company relies on two supporting segments. The Investment segment strategically supports the business segments and oversees total portfolio management. Meanwhile, the Corporate segment manages all supporting corporate functions.



THREE BUSINESS SEGMENTS

Insurance, Canada

- Individual Insurance
- Group Insurance
- Dealer Services
- iA Auto and Home
- Retail distribution

Wealth Management

- Individual Wealth Management
- Group Savings and Retirement
- Retail distribution

US Operations

- Individual Insurance
- Dealer Services

TWO SUPPORTING SEGMENTS

Investments

Total porfolio management

Corporate

Corporate functions

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Insurance, Canada

Individual Insurance

The Individual Insurance business unit offers a comprehensive and distinctive range of insurance products through its extensive distribution networks.

The Company wants to excel and to stand out in the Canadian market in terms of client and distributor experience. To do so, the business unit mainly focuses on enhancing its digital tools and product offering, as well as simplifying and accelerating the underwriting and new business process. Many initiatives were undertaken in 2023 to give clients and distributors greater flexibility and more options, including more relaxed financial underwriting requirements for life insurance amounts over $5 million and an increase in the amount of insurance without a special quote from $10 million to $25 million for participating life insurance products.

Today, as a result of sound digital initiatives to continuously enhance its online sales tool, iA Financial Group is a leader in instant point-of-sale approval thanks to EVO, one of the best distance-selling platforms in Canada.

Business Growth

(In millions of dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**
Sales			
Minimum premiums†,1	328	352	(7%)
Excess premiums†,1	41	35	17%
Total	**369**	**387**	**(5%)**
Net premiums	1,985	1,882	5%

Total sales amounted to $369 million in 2023, a solid result that compares to a particularly strong year of $387 million in 2022. Compared to 2021, this year's result is up 29%. This good level of sales is attributable to the strength of the Company's extensive distribution networks, the performance of its digital tools, and the comprehensive and competitive range of its products. Sales were notably strong for participating life and living benefit products. Additionally, the lasting success of the iA PAR insurance product improves the Company's business mix by providing better diversification and a lower level of macroeconomic risk.

Net premiums were up 5% in 2023 at nearly $2.0 billion. Note that premiums are a key long-term profitability driver for the sector.

In terms of the Company's performance in the industry, according to the Canadian data published by LIMRA for the first nine months of the year:

- iA Financial Group is the company that insures the most Canadians, with a market share just over 23% in policies sold. It ranks fourth for premium sales, with a market share of 13% (life, critical illness and disability combined).
- iA Financial Group ranks first for critical illness insurance premiums, with a market share of 27%.
- iA Financial Group ranks third for disability insurance premiums, with a market share of 10%.

In addition, the Company's Career network performed very well in 2023, with total new premium growth over 2022 of 16% and 32% for life insurance and living benefit products, respectively.

[1] Minimum premiums are the portion of the premium used to cover the insurance risks under an individual insurance contract and are an important way to measure the sector's performance. Excess premiums include all deposits to accumulation funds available under Universal Life policies, as well as contributions to the additional deposit option for the participating life insurance product.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[2] and Business Focus

– Capitalizing on the strength and diversity of all our distribution networks
– Delivering a unique and hybrid experience and empowering distributors and clients with self-service tools and digital resources

As an industry leader, the business unit will be focused on seizing all opportunities to cement this coveted position in 2024. Providing the best experience for distributors and clients will continue to be central to the business unit's evolution. To this end, the business unit will continue to capitalize on the strength and diversity of all distribution networks to meet the needs of Canadians. This will be achieved by remaining proactive in offering the most comprehensive range of high-performance products in the Canadian market. The business unit will continue to distinguish itself through intuitive digital solutions while supporting advisors as they strive to improve the efficiency of their operations and to offer the most engaging hybrid digital/human experience to their clients. The business unit will also continue to actively promote its Large Case Solutions program, which offers customized, simple, high-performance solutions that enable advisors to meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership position.

Products and Services

- Life insurance (universal, participating, permanent and term)
- Critical illness insurance
- Short- and long-term disability insurance
- Mortgage insurance
- Accidental death and dismemberment (AD&D) insurance
- Creditor insurance (life and disability)
- Travel insurance

Manufacturers and Subsidiaries

- iA Insurance
- PPI Management
- Michel Rhéaume et associés

Distribution Affiliates and Networks[3]

- Career Network (iA) (2,400 advisors)
- Managing General Agents Network (30,000 representatives)
- National Accounts Network (400 representatives)
- PPI Management (5,300 representatives)
- Michel Rhéaume et associés

[2] Please refer to the "Forward-Looking Statements" section of this document.
[3] Managing General Agents Network, including the WFG network.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Employee Plans

The Employee Plans business unit offers a broad range of group benefits products for companies, organizations and their employees. The business unit has over 800 employees, has signed agreements with close to 1,100 groups, and serves nearly 600,000 plan members.

To help manage plans more effectively and promote wellbeing, the business unit offers a number of services and tools for plan administrators, plan members and benefits advisors. For example, it offers a comprehensive health and wellness program which includes telemedicine services and an employee assistance program, as well as extensive disability and drug (PharmAssist) management programs. All of these services and tools, accessible through My Client Space and iA Mobile, give clients access to a continually evolving omnichannel experience.

In pursuit of the business unit's ambition to be present and active in the daily lives of Canadians to support their financial, physical and mental wellbeing, the offering to plan members was enhanced to include a digital employee and family assistance program as well as interactive mental health, prevention and overall health programs. To better support employers in their Equity, Diversity and Inclusion strategies, the unit also launched four new inclusive coverages: gender affirmation, fertility, surrogacy and adoption.

Business Growth

(In millions of dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**
Sales[†,1]	50	46	9%
Premiums	1,312	1,263	4%
Premium equivalents[†,2]	235	96	145%
Investment contracts[†,3]	—	88	(100%)
Total	**1,547**	**1,447**	**7%**

Total premiums, premium equivalents[†] and investment contract[†] deposits reached over $1.5 billion in 2023, an increase of 7% over 2022.

The increase in premiums in 2023 was driven by organic growth from higher premiums on in-force business, while sales of $50 million in 2023 compared to $46 million the year before.

Geographically, Quebec accounted for the largest proportion of sales, followed closely by Ontario.

Outlook[4] and Business Focus

In 2024 and the years to come, Employee Plans will continue to strengthen its customer experience by investing in technology for a stronger front-end digital solution, which is essential to addressing plan members' and plan administrators' diverse needs and expectations. The business unit will also pursue its mission to support positive physical, mental and financial outcomes by solidifying its total wellbeing offer.

With a focus on profitable growth, the business unit will remain committed to maximizing operational efficiency. It will do so by continuing to build on its solid foundation to support long-term growth by simplifying its processes and implementing efficiency improvement opportunities.

Products and Services

- Life and health, accidental death and dismemberment (AD&D), dental care, short- and long-term disability, critical illness and home care insurance
- Voluntary benefits (life, AD&D and critical illness)
- Disability and drug management programs
- Health and wellness program
- Equity, Diversity, and Inclusion coverages (gender affirmation, fertility, surrogacy, adoption)

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Aggregators
- Group benefits brokers
- Actuarial consulting firms

[1] The net premiums presented in the consolidated financial statements are net of reinsurance and include fund entries on both in-force contracts and new business written during the period.
[2] Premium equivalents are income from administrative services only (ASO) contracts.
[3] Premiums from Hold Harmless Agreements.
[4] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Special Markets

Special Markets is focused on niche insurance markets that are underserved by traditional group insurance carriers. The business unit primarily offers accidental death & dismemberment (AD&D), critical illness (CI), term life and specialized insurance products to employers, professional associations and affinity groups. Travel medical and health insurance products are also offered through various distribution partners.

Special Markets has contracts with over 5,000 groups and associations. Through these contracts, Special Markets insures millions of Canadians, predominantly through AD&D and travel medical coverage.

Business Growth

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Sales (gross premiums)[†,1]	367	322	14%
Net sales[†]	335	292	15%

In 2023, Special Markets' sales increased by 14% to $367 million, reaching an all-time high. This growth was mainly driven by AD&D and CI product sales, as well as the continuation of the 2022 trend of strong demand for travel insurance.

Net sales, defined as gross premiums net of reinsurance, experienced a strong increase of 15% in 2023.

Operational efficiency was an area of focus in 2023. Special Markets either automated or improved its processes to strengthen scalability while gathering information to prepare for future modernization of front and back offices. In addition, the number of marketing campaigns offered increased by 20% and received favourable response rates. Increasing knowledge of our distribution partners and deepening relationships with them was also a priority in 2023, leading to an increase in business development opportunities.

Outlook[2] and Business Focus

Looking ahead to 2024, Special Markets' focus will be maintaining the profitable growth of the business through increased marketing campaigns, claims management and expanded sales and distribution networks, while continuing to look for ways to increase operating efficiency to further generate growth.

Products and Services

- Accidental death & dismemberment (AD&D), critical illness and life insurance
- Travel medical
- Health insurance and other specialized products

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Distribution partners
- Specialized insurance brokers
- Third-party administrators

[1] Sales (gross premiums) are before reinsurance.

[2] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Dealer Services

Dealer Services[1] distributes creditor insurance products (life, disability, loss of employment and critical illness) and property and casualty (P&C) products related to vehicle purchase and financing. P&C products include extended warranties, replacement insurance, guaranteed asset protection and a full range of ancillary products.

The business unit has more than 500 employees[1] and insures over 500,000 individuals and over one million vehicles. Its products are offered through a Canada-wide direct distribution network of over 4,000 automobile[1] and other motor vehicle dealers, original equipment manufacturers and preferred partnerships. This distribution network benefits from one of the broadest suites of product offerings in the Canadian market.

Business Growth

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Sales†			
Creditor[2]	211	223	(5%)
P&C	475	392	21%
Total	**686**	**615**	**12%**

Dealer Services sales totalled $686 million in 2023, up 12% from the previous year. The business unit continues to expand its presence across Canada by signing deals with original equipment manufacturers and dealer groups, and developing new products and partnerships.

Creditor Insurance

Creditor insurance sales totalling $211 million in 2023 compare to $223 million in 2022. This variation can be explained by changing consumer behaviour and the regulatory environment.

P&C Products

P&C sales were up 21% from 2022 to reach $475 million despite vehicle inventories remaining low, particularly for used cars, and reduced affordability from higher financing costs. Consumers' affinity for lower-priced P&C products and dynamics arising from our leadership position were the main drivers of sales growth.

Outlook[3] and Business Focus

In 2024, Dealer Services will initiate the first phase of its business transformation project to optimize and modernize its products, systems and processes. At the same time, the business unit will build on its original equipment manufacturer, wholesale, and independent dealer distribution channel strategy through organic growth, new partnerships, and expanded integrations. Dealer Services will prioritize strategic initiatives that will deliver the best partner and customer experience in these channels and engagement journeys, which will include pursuing internal business opportunities within iA Financial Group.

Products and Services[1]

- Creditor insurance
- P&C products

Manufacturers and Subsidiaries[1]

- iA Insurance
- SAL Marketing
- National Warranties MRWV Limited
- Industrial Alliance Pacific General Insurance Corporation
- WGI Service Plan Division
- WGI Manufacturing Inc.
- Lubrico Warranty
- iA Advantages Damage Insurance

Distribution Affiliates and Networks[1]

- Direct distribution through automobile and other motor vehicle dealers (4,000 dealers)
- Original equipment manufacturers (OEMs)
- Preferred partnerships

[1] As of January 1, 2023, iA Auto Finance, previously included in the Dealer Services business unit, is included in the Investment segment.
[2] Includes all creditor insurance business sold by the Company.
[3] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Auto and Home Insurance

iA Auto and Home Insurance (iAAH) is a Company subsidiary that markets auto and home insurance products in the province of Quebec.

One advantage that sets iAAH apart is the referral of clients by the Company's distribution networks, providing a business development opportunity that is unique in the industry. A significant portion of its clients are referred by Career Network advisors and the Dealer Services business unit. iAAH also operates through a subsidiary, Prysm General Insurance, that creates strategic partnerships allowing preferred distributors to offer the subsidiary's products.

Business Growth

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Direct written premiums†	519	457	14%

Direct written premiums totalled $519 million in 2023, up 14% from the previous year. iAAH's strong competitive positioning and superior customer satisfaction enabled it to generate good premium growth through rate increases and strong policy growth in a challenging inflationary environment. The five-year compound annual growth rate for iAAH's business volume is 8%.

Combined Ratio

(%)	2023	2022	2021	2020	2019
Combined ratio[1]	97.3	94.9	78.0	78.7	93.1

Under IFRS 17, the combined ratio, which represents the sum of the loss ratio and the expense ratio, was 97.3% for 2023. The increase relative to previous years is primarily due to higher claim severity driven by inflation, notably from higher cost of repair, and more weather-related events. Measures taken in the areas of pricing, underwriting and claims settlement have tempered these effects. On average, the combined ratio has remained below 95% for the last five years.

Outlook[2] and Business Focus

The main focus will be to generate growth, primarily organic, driven by various customer experience (CX) initiatives and existing networks.

In the coming years, iAAH will focus on accelerated digital transformation, which is a key factor for future growth. The aim is to improve the client, employee and partner experience by reshaping interactions and integrating automation and data analytics into key business processes. The Company's diverse business mix and the centralization of CX initiatives is expected to lead to great synergy opportunities.

Products and Services	Manufacturers and Subsidiaries	Distribution Affiliates and Networks
▪ Auto and home insurance	▪ iA Auto and Home Insurance ▪ Prysm General Insurance ▪ Surex	▪ Direct sales from advertising ▪ Preferred partner distribution ▪ Referrals from iA networks

Surex

Surex is an online general insurance broker. By combining online self-serve capabilities with experienced advisors, Surex has become a leading player in digital property and casualty (P&C) insurance distribution in Canada. Surex's 200 employees serve more than 56,000 clients and process over 77,000 policies annually, representing premium volume of over $166 million. In 2023, Surex delivered more than 15% growth in premium volume, and continued to invest in its "direct to clients" strategy by redesigning its proprietary online quoter, resulting in an 80% increase in closing success year over year. Surex and iA Financial Group will focus on projects with high synergy potential such as the implementation of cross-selling opportunities, thus improving both client experience and growth, while supporting the Company's advisor networks and continuing to improve its business model to grow efficiently.

[1] For year 2022 and prior, the combined ratios are calculated under IFRS 4 in the table.
[2] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Wealth Management

Individual Wealth Management

In the Individual Wealth Management business unit, the Company offers a broad range of retail savings, investment and retirement products. iA Financial Group is the Canadian leader in the development and distribution of segregated funds. IA Clarington Investments, a Company subsidiary, is a mid-tier investment management firm in Canada that offers a full line of mutual funds. The Individual Wealth Management product lineup includes 17 Socially Responsible Investment (SRI) solutions.

Clients can invest in the Company's products through registered retirement savings plans (RRSPs), registered education savings plans (RESPs), tax-free savings accounts (TFSAs), first home savings accounts (FHSAs), registered retirement income funds (RRIFs) and non-registered plans.

The business unit also has two distribution dealers offering wealth management solutions, products and services through a Canada-wide network of independent investment advisors and mutual fund advisors: Investia Financial Services and iA Private Wealth.

Business Growth

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Gross sales			
Insured annuities and other savings products	2,700	1,203	124%
Segregated funds	3,581	3,908	(8%)
Mutual funds†	1,531	1,722	(11%)
Total	**7,812**	**6,833**	**14%**
Net sales			
Segregated funds	751	1,915	(1,164)
Mutual funds†	(668)	(615)	(53)
Total	**83**	**1,300**	**(1,217)**

For 2023, total gross sales amounted to more than $7.8 billion, an increase of 14% over 2022, which is a very good result given volatile market conditions. The growth of this business unit was unfavourably impacted by the challenging market conditions across all asset classes, negative investor sentiment, and a decrease in the level of individuals' savings, primarily driven by high levels of inflation.

In a volatile market environment, clients tend to turn to cash equivalent products, which offer safety and attractive yields. As a result, gross sales of insured annuities and other savings products of $2.7 billion were up 124% from 2022. An important success factor is the Company's offer to clients with combined investments (segregated funds, guaranteed interest funds and high-interest savings account) under one contract.

Gross segregated fund sales amounted to nearly $3.6 billion compared to $3.9 billion in 2022. Despite challenging market conditions, net segregated fund sales were positive, totalling $0.8 billion. The Company continued to maintain its leading position in the industry, ranking first in Canada for gross and net segregated fund sales, and third in terms of assets.[1]

Gross mutual fund sales† totalled more than $1.5 billion compared to $1.7 billion the previous year, and net sales resulted in outflows† of $0.7 billion, mainly due to the negative impact of challenging macro-environment conditions on investor sentiment, which had a wide-ranging impact across the industry.

As a result, combined net sales of segregated and mutual funds for 2023 were positive, amounting to $83 million, a good perfomance in an environment that remained challenging for the fund sales industry throughout the year.

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Funds under management			
Insured annuities and other savings products (general fund)	4,513	2,574	75%
Segregated funds	26,650	23,451	14%
Mutual funds	12,204	11,611	5%
Subtotal	43,367	37,636	15%
Funds under administration[2]	108,265	97,643	11%
Total	**151,632**	**135,279**	12%

Total assets amounted to $151.6 billion at December 31, 2023 compared to $135.3 billion the previous year, due to market growth and net fund entries. Growth in assets under management, which is reliant on gross sales, in-force business persistency and return on assets, is the key long-term profitability driver for the sector.

[1] Source: Investor Economics, January 2024.
[2] Includes assets related to affiliated dealers.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[3] and Business Focus

In 2024, Individual Wealth Management will continue to digitally transform and improve its operational processes to provide the best experience for distribution partners and clients, putting them at the centre of the unit's priorities. This digital transformation combined with the desire to offer competitive products to mass and middle market clients and future retirees will support the business growth objectives. In addition, these commitments will attract new distribution partners and increase the retention of assets under management, which is an important factor in the unit's profitability. The unit will continue to actively promote its Large Case Solutions program which offers customized, simple, high-performance solutions that enable advisors to meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership.

For the business unit's investment dealers, a continued focus on digital transformation combined with an expansion of managed investment products and solutions will further advance the investment and mutual fund dealer and client experience and strengthen iA Financial Group's position as a leader among independent investment and mutual fund dealers in Canada.

The Company's fund sales are expected to recover and increase in 2024 given the well-diversified and competitive lineup of products, provided that inflationary pressure, personal savings rates and market volatility improve and investor confidence is restored.

Products and Services

- Segregated funds
- Mutual funds
- Securities
- Life and fixed-term annuities
- Registered savings and disbursement plans (RRSPs, RESPs, TFSAs, FHSAs and RRIFs)
- Investment advice
- Private wealth management

Manufacturers and Subsidiaries

- iA Insurance
- iA Clarington
- iA Private Wealth
- Investia Financial Services
- iA Trust
- iA Global Asset Management

Distribution Affiliates and Networks

- Career Network (iA) (2,400 advisors)
- Managing General Agents Network (30,000 representatives)
- National Accounts Network (400 representatives)
- PPI Management (5,300 representatives)
- Distribution affiliates (iA Private Wealth and Investia) (2,150 advisors)

[3] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Savings and Retirement

The Group Savings and Retirement business unit offers a wide range of products and services adapted to the needs of companies, organizations and their employees, focusing on long-term financial wellbeing. The products offered can be broken down into two categories: accumulation products (savings products, such as defined contribution or defined benefit plans, and institutional money management services) and disbursement products (essentially insured annuities).

Products are marketed Canada-wide through group benefits and retirement aggregators, brokers and actuarial consulting firms.

The unit has approximately 300 employees, has signed agreements with more than 14,100 groups and serves nearly 500,000 plan members and 70,000 annuitants.

In accordance with the business unit's ambition to be present and active in the daily lives of Canadians to support their financial, physical, and mental wellbeing, the sector undertook several initiatives to enhance plan members' financial literacy. An education website was launched to help plan members better understand the benefits available in their group plans. The unit also encouraged them to learn more about managing personal finances with a Financial Literacy Month campaign based on the financial journey of six individuals.

As part of its commitment to providing Canadians with attractive, comprehensive and easy-to-understand retirement savings solutions, and to helping them achieve long-term financial wellbeing, Group Savings and Retirement introduced a new program for retirees, and seven new alternative funds have been added to its disbursement options.

Business Growth

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Premiums (sales)†			
Accumulation Products			
Recurring premiums	1,502	1,492	1%
Transfers	428	534	(20%)
Subtotal	1,930	2,026	(5%)
Insured Annuities	660	801	(18%)
Total	**2,590**	**2,827**	**(8%)**
New plan sales[1]	**1,488**	**1,396**	**7%**

Recurring premiums for accumulation products† provide sustainable business growth and are a key part of the unit's strategy. They correspond to regular plan members' contributions collected from in-force group clients. In 2023, recurring premiums were just above the previous year despite difficult macroeconomic conditions. New plan sales amounted to nearly $1.5 billion, an increase of 7% over 2022.

Insured annuities† totalled $660 million in 2023, a strong result against the backdrop of a very strong year in 2022.

Accumulation Products – Net Fund Entries[2]

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Entries	1,930	2,026	(5%)
Disbursements	1,777	1,428	24%
Net entries	**153**	**598**	**(74%)**

Funds Under Management

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Accumulation Products	15,551	14,164	10%
Insured Annuities	5,685	4,741	20%
Total	**21,236**	**18,905**	**12%**

Funds under management exceeded $21.2 billion at year end, an increase of 12% over the end of the previous year, mainly due to favourable market conditions in 2023.

[1] New plan sales are measured by the sum of first-year annualized premiums (which correspond to the total of the initial asset transfer and recurring first-year annualized premiums) plus insured annuities.
[2] The change in assets under management is important because it determines the management fees recorded in the consolidated financial statements under *Other revenues.*

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[3] and Business Focus

In 2024 and the years to come, the business unit will continue to strengthen its customer experience by investing in technology for a stronger front-end digital solution, which is essential to addressing plan members' and plan administrators' diverse needs and expectations.

With a focus on profitable growth, the business unit will remain committed to maximizing operational efficiency by continuing to build a solid foundation to support long-term growth by simplifying its processes and implementing efficiency improvement opportunities.

Products and Services	Manufacturers and Subsidiaries	Distribution Affiliates and Networks
▪ Capital accumulation products (including DC plans, RRSPs and TFSAs) ▪ Disbursement products (insured annuities, RRIFs and LIFs) ▪ Financial wellness program ▪ Financial education and advice	▪ iA Insurance	▪ Aggregators ▪ Group benefits and retirement brokers ▪ Actuarial consulting firms

[3] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations

US Operations: Individual Insurance

iA Financial Group's U.S. individual insurance operations are carried out through iA American Life Insurance Company and four other downline subsidiaries located in Waco, Texas.

The iA American group of companies markets their life insurance products through independent marketing organizations, or IMOs, and collectively these organizations have over 26,700 independent agents under contract with the group.

These companies operate primarily in the simplified issue marketplace, with final expense life insurance and mortgage/family protection term life representing over 90% of new business sales. They also offer Universal Life and other specialty life products in the government and worksite markets. They have the ability to customize products for larger marketing organizations and this flexibility has played a key role in their success.

Digital enhancements to improve and simplify the sales process from both the agent and client perspectives have been an important component in the companies' ability to compete. Point-of-sale underwriting capabilities greatly simplify and expedite the sales process and this technology is used for the majority of their sales today. Remote selling capabilities have also been a strong contributor to the companies' sales success.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2023	2022	Variation
Sales[†]	172	143	20%
Premiums	477	421	13%

US Individual Insurance sales[†] reached a record amount, totalling US$172 million in 2023, a 20% increase over the previous year. The increase in sales resulted primarily from growth in both the final expense and middle/family markets. The growth in these markets was driven by strong performance from leading IMOs operating in those sectors. Sales in 2023 were also positively influenced by the recruitment of several new IMOs.

The number of policies issued in 2023 was 21% higher than in 2022. This resulted in positive premium growth as total premiums grew to US$477 million in 2023, representing a 13% increase over 2022.

The U.S. sales mix by product was relatively consistent in 2023. The proportion of whole life insurance sales increased slightly from 73% in 2022 to 75% in 2023, while the proportion of term insurance sales declined slightly from 25% in 2022 to 22% in 2023.

The sales mix by market shifted slightly during 2023 due to the particularly strong growth in final expense sales, which were up 26% over 2022. Final expense sales as a percentage of total sales increased from 63% in 2022 to 68% in 2023, while sales in the middle/family market declined slightly from 25% to 23% of total sales over that same period. Although sales in the middle/family market represented a slightly lower percentage of total sales in 2023, sales in that market increased 19% over the 2022 sales result.

This solid performance confirms the Company's strong growth potential in the U.S. life insurance market.

Outlook[1] and Business Focus

Looking forward, the division will continue to increase distribution with a strong focus on growth in the middle/family market. Among other things, it will be enhancing the agent and client experience through digital point-of-sale capabilities and immediate underwriting decisions and expanding the product portfolio to support growth in the middle/family market.

Products and Services

- Life (universal, whole life and term)
- Critical illness
- Short-term disability
- Accidental death
- Annuities
- Group life

Manufacturers and Subsidiaries

- iA American Life Insurance Company
- American-Amicable Life Insurance Company of Texas
- Occidental Life Insurance Company of North Carolina
- Pioneer American Insurance Company
- Pioneer Security Life Insurance Company

Distribution Affiliates and Networks

- Independent marketing organizations (26,700 agents)

[1] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Acquisition

On October 3, 2023, iA Financial Group announced that it had entered into a definitive merger agreement to acquire U.S. life insurance company Vericity. The company comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. Vericity employs more than 400 employees. The transaction is expected to close in the first half of 2024.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations: Dealer Services

iA American Warranty Group and its affiliates distribute casualty products that include vehicle service contracts (extended warranties) and a full range of ancillary products providing coverage for a wide range of risks associated with vehicle ownership, as well as additional products such as training, income development, and marketing services to help dealerships improve their bottom line. The company benefits from vertical integration of insurance, administration, and reinsurance services and is one of only a handful of full-service providers in the United States. Products are sold through a network of general agents, automobile dealers, finance companies, and third-party administrators.

The division employs approximately 700 people and administers products for more than 7,000 dealerships throughout the U.S. Products are often customized for larger producers and this flexibility has played a key role in the success of iA American Warranty Group.

Business Growth

(In millions of US dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**
Sales[†]	951	1,011	(6%)

Sales production in 2023 totalled US$951 million compared to US$1,011 million in 2022. Even though vehicle sales in the U.S. rebounded in 2023 compared to 2022, the reduction in sales was primarily due to lower affordability from increased vehicle prices and higher financing costs for consumers, which exerted downward pressure on sales of finance and insurance (F&I) products sold alongside vehicles.

Sales by Market

	2023	**2022**
	%	**%**
Affiliate producers	72	72
Non-affiliate producers	28	28
Total	100	100

Affiliate producers generated 72% of sales in 2023, the same breakdown as in the past two years.

Outlook[1] and Business Focus

In 2024, vehicle inventory should continue to improve, as should vehicle affordability through vehicle price reductions, potentially lower interest rates, and increased purchase incentives. Since the demand for vehicles continues to be good, the timing of these dynamics will be important not only to the number of vehicles sold in 2024, but also to F&I products purchased.

As vehicle affordability improves, more importance will be placed on the sale of F&I products to maintain the same level of profitability per vehicle sold.

US Dealer Services emphasis in 2024 is to continue expanding its distribution channels with the best customer service experience in the industry. It will continue to focus on providing a complete solution to its distribution partners, providing training and consulting services, marketing services, and seamless contract administration. The division's products and services are key to dealership profitability, and partners rely on its support to grow the F&I department within their stores.

Products and Services

- Vehicle services contracts (extended warranties)
- Guaranteed asset protection
- Ancillary vehicle protection
- Training services
- Marketing services

Manufacturers and Subsidiaries

- Dealers Assurance Company
- Dealers Alliance Company
- iA American Warranty Corp.
- iA American Warranty, L.P.
- First Automotive Service Corporation
- Dealer Wizard, LLC

Distribution Affiliates and Networks

- General agents
- Direct sales (auto dealers and finance companies)
- Third-party administrators

[1] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Profitability

Highlights

The Company recorded core earnings† of $956 million in 2023, which compares to $955 million in 2022.[1] Core diluted earnings per common share (EPS)† of $9.31 in 2023 is 4% higher than the restated 2022 result under IFRS 17 and IFRS 9 of $8.93.[1] Core return on common shareholders' equity (ROE)† for 2023 was 14.4%, the same as in 2022[1] and this result is aligned with the Company's medium-term target of 15%+. Core earnings is a non-IFRS measure† that represents management's view of the Company's ongoing capacity to generate earnings.

Reported earnings include the impact of volatile items (primarily short-term macroeconomic variations) and are therefore likely to be more volatile than core earnings. In 2023, reported earnings exceeded core earnings in two out of four quarters, and the opposite was true in the other two quarters. On a reported basis, the Company ended the year with net income attributed to common shareholders of $769 million, compared to $309 million in 2022.[1] Diluted earnings per common share (EPS) was $7.48 in 2023, compared to $2.89 a year earlier,[1] and return on common shareholders' equity (ROE)† was 11.6% for the year, compared to 4.7% in 2022.[1]

Profitability

	IFRS 17 and IFRS 9		IFRS 4		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[1]**	**2021**	**2020**	**2019**
Income attributed to shareholders	789	334	852	633	709
Preferred share dividends	(20)	(25)	(22)	(22)	(22)
Net income attributed to common shareholders	**769**	**309**	**830**	**611**	**687**
Core earnings	**956**	**955**	**896**	**764**	**702**
Earnings per common share (EPS)					
Basic	$7.51	$2.90	$7.73	$5.71	$6.43
Diluted	$7.48	$2.89	$7.70	$5.70	$6.40
Diluted, core†	$9.31	$8.93	$8.31	$7.12	$6.55
Return on common shareholders' equity (ROE)†	11.6%	4.7%	13.2%	10.6%	12.9%
Core ROE†	14.4%	14.4%	14.2%	13.3 %	13.1%

Core Earnings† by Business Segment

Core earnings by business segment

(In millions of dollars)	**2023**	**2022[1]**
Insurance, Canada	334	354
Wealth Management	314	260
US Operations	101	140
Investment	402	343
Corporate	(195)	(142)
Total	**956**	**955**

Insurance, Canada – This business segment includes all Canadian insurance activities offering a wide range of life, health, auto and home insurance coverage, as well as vehicle warranties, to individuals and groups. 2023 core earnings for this business segment were $334 million, which compares to $354 million in 2022.[1] Expected insurance earnings in 2023 were 9% higher than in 2022, supported by strong business growth and the 19% increase in the CSM recognized for services provided. With mortality experience in the second half of 2023 in line with expectations, the higher mortality claims recorded in the first six months of the year is considered a momentary event. Excluding this item, insurance experience was favourable during the year, especially for morbidity, and despite higher claims at iA Auto and Home. This year's result includes a $60 million impact of new insurance business in the Employee Plans business unit. This impact stems from the renewal period of long-term business for some large groups, which will benefit business growth and future profitability.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Wealth Management – This business segment includes all the Company's wealth management activities offering a wide range of savings and retirement solutions to individuals and groups. In this business segment, 2023 core earnings of $314 million were 21% higher than in 2022.[2] Segregated fund earnings were high as evidenced by the 18% year-over-year increase in core insurance service result. This includes experience gains of $10 million for the year. As for core non-insurance activities, 2023 earnings were 31% higher than in 2022.[2] This performance is the result of good business growth, lower expenses and a solid performance once again from the distribution affiliates, arising mainly from better margins amid the higher interest rate environment.

US Operations – This business segment includes all the Company's U.S. activities offering individuals a range of life insurance and vehicle warranty products. Core earnings for this business segment were $101 million in 2023, which compares to $140 million for the same period in 2022.[2] Results in the Individual Insurance divisions were strong, as reflected in the core insurance service result, which is 14% higher than the previous year's result. This performance is the outcome of good business growth in past quarters and favourable mortality experience. The result for non-insurance activities was lower, mostly due to lower sales in the Dealer Services division, a consequence of low vehicle sales in the first part of the year that were impacted by inventory issues and reduced affordability for clients resulting from higher financing costs and high vehicle prices. Finally, expenses were higher in 2023 mainly due to digital investments to improve efficiency and client experience, as well as employee experience enhancement initiatives.

Investment – This segment includes the Company's investment and financing activities, except for the investment activities of the wealth distribution affiliates. In this business segment, core earnings of $402 million in 2023 were 17% higher than the result of $343 million a year earlier.[2] This increase is supported by the investment portfolio optimization to support higher investment returns and improve asset/liability management; the rise in interest rates in 2022, which is partially offset by the negative impact of the unfavourable shape of the yield curve as a result of interest rate variations during 2023; and the favourable bond portfolio credit experience from more credit rating upgrades than downgrades. The 2023 result also includes an increase in the allowance for credit losses for the car loans portfolio.

Corporate – This segment reports all expenses that are not allocated to other segments, such as expenses for certain corporate functions. This segment recorded after-tax expenses of $195 million in 2023, which compares to $142 million in 2022.[2] These expenses include, among other things, investments for the accelerated digital transformation and the enhanced employee experience to support talent retention, more extensive M&A prospecting activities, digital data and security projects and regulatory compliance projects, including with regard to IFRS 17 and IFRS 9 and Quebec's Law 25 on privacy.

Core Earnings[†]

Financial measures based on core earnings are non-IFRS measures used to understand the underlying operating business performance compared to IFRS measures. Core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. Core earnings removes from reported earnings the impacts of items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance.

In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.

The table below presents the reconciliation from the net income to common shareholders to the core earnings.The following six adjustments are applied to net income to common shareholders in the calculation of core earnings:

1. Market-related impacts on the net investment result and the insurance service result calculated as the difference between the reported net investment result, which is the actual IFRS result, and the core net investment result, which is based on management expectations. These management expectations are:

   - For equity and investment properties: the investment income assuming long-term expected average annual returns of 8%-9% on aggregate
   - For interest rates and credit spreads: the investment income assuming constant interest rates level throughout the quarter
   - For currency: the investment income assuming constant exchange rates level throughout the quarter

   Market-related impacts also include the impacts of the tax-exempt investment income (above or below expected long-term tax impacts) from the Company's multinational insurer status;

[2] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

2. Assumption changes and management actions;
3. Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
4. Amortization of acquisition-related finite life intangible assets;
5. Non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
6. Specified items which management believes are not representative of the performance of the Company, including: (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

Income taxes on items listed above are also removed from reported earnings.

Core earnings include all credit-related experience impacts on reported earnings.

In 2023, core earnings of $956 million are just above core earnings of $955 million in 2022.[3]

Net income to common shareholders and core earnings reconciliation

(In millions of dollars, unless otherwise indicated)	2023	2022[3]
Net income to common shareholders	**769**	**309**
Core earnings adjustments (post tax)		
Market-related impacts	82	428
Assumption changes and management actions	13	107
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	10	18
Amortization of acquisition-related finite life intangible assets	66	64
Non-core pension expense	8	21
Other specified unusual gains and losses	8	8
Total	**187**	**646**
Core earnings	**956**	**955**

Assumption Changes and Management Actions[†]

At the end of each quarter, the Company updates its liabilities to reflect the current economic environment and ensures their adequacy, which could lead to some change in its methodologies and assumptions. In addition, at the end of each year, the Company carries out a thorough review of most of its methodologies and assumptions to take into account the Company's own experience, and industry experience when applicable, in terms of mortality, morbidity, lapse rates, expenses and other factors.

Under the IFRS 17 accounting standard, the result of the assumption changes and management actions impacts, directly or indirectly, the contractual service margin (CSM) and risk adjustment (RA) in addition to the net income and solvency ratio. In some specific situations, a change in RA will trigger an opposite change in the CSM, therefore having no impact on immediate and future earnings. Changes in assumptions and methodologies will have an impact on net income or CSM based on three main factors: 1) the type of change (financial or non-financial), 2) the presence of a CSM for the contracts targeted by the change, and 3) the type of measurement model for the contracts targeted by the change. The most common situations are the following:

- Impacts of non-financial changes in methodologies and assumptions flow directly through the CSM when attributable to insurance contracts that have a CSM and directly to net income if they do not have a CSM. For insurance contracts measured under the general measurement model (GMM), the impacts on CSM are measured at locked-in discount rates. For insurance contracts measured under the variable fee approach (VFA), the impacts on CSM are measured at current discount rates.
- Impacts of financial changes in methodologies and assumptions flow directly through net income for insurance contracts measured under the GMM. For contracts measured under the VFA, this impact, measured at current discount rates, flows directly through the CSM when attributable to insurance contracts that have a CSM and directly to net income if they do not have a CSM.

Changes to the Company's methodologies and assumptions in 2023, including the year-end annual review, resulted in a positive total impact of $30 million pre-tax. This is broken down into a slightly negative pre-tax impact on income of -$15 million (-$12 million after taxes) and a positive impact of $45 million pre-tax on future profit from the combined impacts on the CSM and the RA.

[3] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2)

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The result of the process was positive for the mortality and morbidity, policyholder behaviour and financial assumptions, while the impact of management actions, expenses and model refinements was unfavourable. For mortality, morbidity, policyholder behaviour and expenses, the changes in assumptions result mainly from the annual update of experience and expense studies.

2023 assumption changes and management actions – Impacts on income, CSM and RA

(pre-tax $M)	Total impact[4]		Impact on Income	Impact on CSM	Impact on RA
Mortality & morbidity	48	▪ Morbidity: Favourable assumption review ▪ Mortality: Slightly unfavourable assumption review	(11)	68	(9)
Policyholder behaviour	49	▪ Segregated funds lapse assumption review	9	44	(4)
Financial	11	▪ Minor model adjustments	17	(5)	(1)
Expenses	(36)	▪ Annual update of expense studies	(11)	(27)	2
Other	(42)	▪ Mostly risk adjustment diversification factor (Income/CSM/RA) ▪ Model refinements & management actions	(19)	(130)	107
Total	**30**		**(15)**	**(50)**	**95**

For more details, refer to Note 15 to the financial statements, entitled “Insurance Contracts and Reinsurance Contracts.”

[4] Impacts of assumption changes and management actions that occurred during the year and prior to December 31, 2023 are not reflected in the above table.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Analysis According to the Financial Statements

Annual Results

The following tables present the Company's financial results according to the financial statements for the years ended December 31, 2023, 2022 and 2021.

Consolidated Income Statement

	IFRS 17 and IFRS 9	
(In millions of dollars)	**2023**	2022[5]
Insurance service result		
Insurance revenue	5,740	5,138
Insurance service expenses	(4,893)	(4,103)
Net expenses from reinsurance contracts	6	(271)
Total	**853**	**764**
Net investment result		
Investment income	1,946	1,864
Interest and other investment income	2,037	(10,135)
Change in fair value of investments	**3,983**	**(8,271)**
Finance income (expenses) from insurance contracts	(3,307)	8,423
Finance income (expenses) from reinsurance contracts	155	(115)
Increase (decrease) in investment contract liabilities	(151)	(36)
	680	**1**
Investment income (expenses) from segregated funds net assets	4,697	(3,897)
Finance income (expenses) related to segregated funds liabilities	(4,697)	3,897
	—	—
	680	**1**
Other revenues	1,507	1,537
Other operating expenses	(1,973)	(1,896)
Other financing charges	(66)	(57)
Income before income taxes	**1,001**	**349**
Income taxes	(212)	(15)
Net income	**789**	**334**
Dividends attributed to preferred shares issued by a subsidiary	(20)	(25)
Net income attributed to common shareholders	**769**	**309**

[5] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

	IFRS 4 and IAS 39	
(In millions of dollars)	2022	2021
Revenues		
Net premiums	13,109	13,164
Investment income	(6,600)	206
Other revenues	2,086	2,116
Total	**8,595**	**15,486**
Policy benefits and expenses		
Net policy benefits	6,991	6,991
Net transfers to segregated funds	2,369	3,278
Increase (decrease) in insurance contract liabilities	(6,219)	(45)
Increase (decrease) in investment contract liabilities	(44)	(1)
Decrease (increase) in reinsurance assets	(123)	(76)
Commissions	2,352	2,180
General expenses	2,062	1,823
Premium and other taxes	154	141
Financing charges	97	77
Total	**7,639**	**14,368**
Income before income taxes	956	1,118
Less: income taxes	156	259
Net income	**800**	**859**
Less: net income attributed to participating policyholders	(42)	7
Net income attributed to shareholders	**842**	**852**
Less: preferred share dividends	25	22
Net income attributed to common shareholders	**817**	**830**

Revenues

Revenues by Business Segment

	Year ended December 31, 2023											
	Insurance revenue			Net investment income			Other revenues			Total		
(In millions of dollars)	**2023**	2022[6]	Variation	**2023**	2022[6]	Variation	**2023**	2022[6]	Variation	**2023**	2022[6]	Variation
Insurance, Canada	3,507	3,134	373	—	—	—	196	182	14	3,703	3,316	387
Wealth Management	939	814	125	121	56	65	1,202	1,190	12	2,262	2,060	202
US Operations	1,294	1,190	104	—	—	—	165	222	(57)	1,459	1,412	47
Investment	—	—	—	3,870	(8,327)	12,197	29	32	(3)	3,899	(8,295)	12,194
Corporate and consolidation adjustments	—	—	—	(8)	—	(8)	(85)	(89)	4	(93)	(89)	(4)
Total	5,740	5,138	602	3,983	(8,271)	12,254	1,507	1,537	(30)	11,230	(1,596)	12,826

Revenues increased by $12,826 million for December 31, 2023 compared to the same period in 2022,[6] mainly due to the increase in net investment income. The $12,254 million increase in net investment income for December 31, 2023 compared to 2022[6] is largely due to an increase of $1,339 million in 2023 vs. a decrease of $7,580 million in 2022[6] in fair value of bonds, an increase in fair value of derivative financial instruments and, to a lesser extent, a favourable variation in stocks, all of which support the insurance contract liabilities. The increase is mainly attributable to a decrease in interest rates in 2023 vs. an increase in 2022.[6]

Income Taxes

The consolidated financial statements indicate an income tax expense of $212 million in 2023, compared to $15 million in 2022. These amounts represent the Company's tax expense net of all adjustments for prior years. The increase in 2023 is mainly due to higher income before income taxes and adjustments for prior years.

[6] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled $769 million for 2023, compared to $309 million for the same period last year. The variation is primarily explained by the factors mentioned below:

- Market-related impacts
- Business growth over the last 12 months, which had a favourable impact on insurance results

The $769 million for 2023 is generated mainly by the insurance service result of $853 million resulting from insurance revenue and net expenses from reinsurance contracts and by a positive $680 million from the net investment result due to investment revenue and favourable variations in interest rates and equity markets, which were mostly offset by insurance service expenses.

Net Income Attributed to Common Shareholders

DRIVERS OF EARNINGS – REPORTED – BY BUSINESS SEGMENT

	Three months ended December 31											
	Insurance, Canada		**Wealth Management**		**US Operations**		**Investment**		**Corporate**		**Total**	
(In millions of dollars)	**2023**	2022[7]	**2023**	2022[7]	**2023**	2022[7]	**2023**	2022[7]	**2023**	2022[7]	**2023**	2022[7]
Insurance service result												
Risk adjustment release	45	42	7	7	9	8	—	—	—	—	61	57
CSM recognized for services provided	73	66	66	54	18	19	—	—	—	—	157	139
Expected earnings on PAA insurance business	27	29	—	—	11	11	—	—	—	—	38	40
Expected insurance earnings	145	137	73	61	38	38	—	—	—	—	256	236
Impact of new insurance business	(26)	(10)	—	—	(2)	(2)	—	—	—	—	(28)	(12)
Experience gains (losses)	5	30	8	3	3	(2)	—	—	—	—	16	31
Insurance assumption changes and management actions	(44)	(105)	—	3	(23)	(2)	—	—	—	—	(67)	(104)
Total – Insurance service result	**80**	**52**	**81**	**67**	**16**	**32**	**—**	**—**	**—**	**—**	**177**	**151**
Net investment result												
Expected investment earnings	—	—	—	—	—	—	136	114	—	—	136	114
Credit experience	—	—	—	—	—	—	(2)	—	—	—	(2)	—
Core net investment result	—	—	—	—	—	—	134	114	—	—	134	114
Market experience gains (losses)	—	—	—	—	—	—	129	(20)	—	—	129	(20)
Financial assumption changes and other	—	—	—	—	—	—	(13)	57	—	—	(13)	57
Total – Net investment result	**—**	**—**	**—**	**—**	**—**	**—**	**250**	**151**	**—**	**—**	**250**	**151**
Non-insurance activities	5	9	48	36	19	29	—	—	—	—	72	74
Other expenses	(26)	(29)	(12)	(13)	(43)	(37)	(13)	(13)	(72)	(55)	(166)	(147)
Income taxes	(16)	(9)	(32)	(24)	1	(10)	(48)	(8)	18	14	(77)	(37)
Dividends/distributions on equity instruments	—	—	—	—	—	—	(8)	(11)	—	—	(8)	(11)
Net income to common shareholders	**43**	**23**	**85**	**66**	**(7)**	**14**	**181**	**119**	**(54)**	**(41)**	**248**	**181**

Below is a summary of the Company's quarterly results, taken from the financial statements for the last eight quarters. The analysis in this section focuses primarily on the Company's results for the fourth quarter of 2023. Generally speaking, the terminology used in this section is the same terminology used in the financial statements.

[7] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Quarterly results

	2023				2022[8]			
(In millions of dollars, unless otherwise indicated)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues								
Insurance revenue	1,547	1,458	1,376	1,359	1,383	1,275	1,250	1,230
Net investment income	4,414	(2,573)	635	1,507	275	174	(3,995)	(4,725)
Other revenues	379	381	378	369	373	373	397	394
Total	6,340	(734)	2,389	3,235	2,031	1,822	(2,348)	(3,101)
Income before income taxes	333	69	245	354	229	(16)	171	(35)
Income taxes	(77)	(13)	(41)	(81)	(37)	20	(14)	16
Net income	256	56	204	273	192	4	157	(19)
Dividends attributed to preferred shares issued by a subsidiary	(8)	(1)	(8)	(3)	(11)	(3)	(5)	(6)
Net income attributed to common shareholders	**248**	**55**	**196**	**270**	**181**	**1**	**152**	**(25)**
Earnings per common share								
Basic	2.47	0.55	1.90	2.59	1.72	0.01	1.41	(0.23)
Diluted	2.46	0.54	1.89	2.58	1.71	0.01	1.41	(0.23)
Finance income (expenses) from insurance contracts	(4,156)	2,593	(498)	(1,246)	51	(262)	4,020	4,614
Increase (decrease) in investment contract liabilities	(43)	(41)	(38)	(29)	(19)	(19)	—	2
Total general funds assets	52,009	48,079	49,848	48,988	47,094	47,667	46,961	50,371
Segregated funds net assets	41,837	39,122	40,016	39,343	37,334	35,469	35,625	38,873

Revenues

Revenues increased by $4,309 million for the fourth quarter of 2023 compared to the same period in 2022,[8] mainly due to the increase in net investment income. The $4,139 million increase in net investment income for the fourth quarter of 2023 compared to the fourth quarter of 2022[8] is largely due to an increase of $2,890 million in the fourth quarter of 2023 vs. a decrease of $123 million for the same period in 2022[8] in fair value of bonds and an increase in fair value of derivative financial instruments supporting the insurance contract liabilities. The increase is mainly attributable to a decrease in interest rates in 2023 vs. an increase in 2022.[8]

[8] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Analysis of CSM Movement

The contractual service margin, or CSM, is an IFRS 17 metric that gives an indication of future profits and that is factored as available capital in the calculation of the solvency ratio.[†,1] However, this metric is not comprehensive as it does not consider required capital, non-insurance business, PAA[2] insurance business or the risk adjustment metric, which is also an indication of future profit. Organic CSM growth is a component of organic capital generation, a more comprehensive metric.

The table below presents the evolution of the CSM.

At December 31, 2023, the CSM was more than $5.9 billion, up 6% over the last twelve months.

The organic CSM movement represents the ongoing CSM value creation calculated before the impact of non-organic items that add undue volatility to the total CSM, such as the impact of the markets. In 2023, the CSM increased organically by $259 million and was supported by the following items, which were partially offset by the CSM recognized in earnings for services provided:

- The positive impact of new insurance business of $597 million, which was driven by strong business growth, although tempered by the effect of high interest rates, the latter being a positive for the Company's future profits;
- The organic financial growth of $253 million; and to a lesser extent
- The insurance experience gains of $18 million, mainly from favourable mortality experience and favourable policyholder behaviour in the Wealth Management sectors (stemming from a favourable wealth management fund mix), partially offset by unfavourable policyholder behaviour in the Insurance, Canada segment.

In 2023, non-organic items increased the CSM by $92 million. More specifically, the positive impact of the markets (macroeconomic variations) (+ $156 million), mainly due to favourable equity performance, was partly offset by the unfavourable impact of currency variations (-$14 million). The impact of changes in assumptions and management actions (-$50 million), which led to a reallocation between the CSM and the risk adjustment (RA), resulted in a positive impact of $45 million pre-tax on future profit from the combined impacts on the CSM and the RA (see the "Assumption Changes and Management Actions" section of this document for more details).

As a result of organic and non-organic items, the total CSM increased by $351 million in 2023.

CSM Movement Analysis – Consolidated

(In millions of dollars, unless otherwise indicated)	2023	2022[3]	Variation
CSM - Beginning of period	5,574	5,507	1%
Organic CSM movement			
Impact of new insurance business	597	686	(13%)
Organic financial growth[4]	253	252	—
Insurance experience gains (losses)[5]	18	39	(54%)
CSM recognized for services provided	(609)	(526)	(16%)
Sub-total - Organic CSM movement	**259**	**451**	**(43%)**
Non-organic CSM movement			
Impact of changes in assumptions and management actions	(50)	(244)	80%
Impact of markets	156	(178)	188%
Currency impact	(14)	38	(137%)
Sub-total - Non-organic CSM movement	**92**	**(384)**	**124%**
Total - CSM movement	**351**	**67**	**424%**
CSM - End of period	**5,925**	**5,574**	**6%**

[1] The CSM, excluding the CSM for segregated funds, counts as Tier 1 capital in the solvency ratio calculation.
[2] PAA: Premium Allocation Approach.
[3] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).
[4] Organic financial growth is the movement of the CSM from expected asset returns and from interest accreted based on locked-in discount rates at initial recognition.
[5] Insurance experience gains and losses correspond to non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Financial Position

Capitalization and Solvency

Capitalization†

iA Financial Corporation's capital structure can be divided into equity and debentures. At December 31, 2023, the Company's capital† was more than $8.5 billion, compared to $8.6 billion a year earlier, with equity representing 82% of total capital.

The variation in 2023 is mainly due to the decrease in total shareholders' equity, mainly reflecting the redemption of $150 million of preferred shares issued by a subsidiary and the decrease in common shares as a result of share buybacks. These items were partly offset by an increase in retained earnings and accumulated other comprehensive income resulting from profits realized during the year, net of dividends paid to common shareholders.

Capital Structure†

	As at December 31	
(In millions of dollars)	**2023**	**2022**
Equity		
Share capital and contributed surplus	1,620	1,692
Preferred shares issued by a subsidiary and other equity instruments	375	525
Retained earnings and accumulated other comprehensive income	5,043	4,910
Total shareholders' equity	7,038	7,127
Debentures	1,499	1,500
Total capital structure	**8,537**	**8,627**

Financial Leverage† and Coverage Ratio†

The debt ratio† measured as debentures over the capital structure was 17.6% at December 31, 2023. This variation is mainly explained by the decrease in total shareholders' equity detailed above as the debentures varied very slightly.

The contractual service margin (CSM) is an IFRS 17 metric that is factored as available capital. Therefore, the debt ratio† measured as debentures, preferred shares issued by a subsidiary and other equity instruments over the total capital structure, including post-tax CSM, is a more comprehensive metric. As at December 31, 2023, this ratio was 14.6% compared to 16.0% at the end of the previous year. The variation is mainly explained by the redemption of the preferred shares mentioned above, together with the increase in the post-tax CSM.

At December 31, 2023, the coverage ratio† was 15.0x, compared to 5.7x at December 31, 2022.[2] The favourable variation is mainly due to higher pre-tax earnings as the increase in financing expenses resulting from 2023 capital management was less significant. The coverage ratio is measured as the Company's earnings for the last twelve months before interest and income tax expenses divided by its interest and dividend expenses.

At December 31, 2023, the coverage ratio (core), which takes into account the Company's core earnings, was 18.5x compared to 18.8x at December 31, 2022.[2] The slight decrease is explained by the increase in pre-tax core earnings offset by the increase in financing expenses mentioned above.

Debt Ratios and Coverage Ratio

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	**2022[1]**	**2021**	**2020**	**2019**
Debt ratios†					
Debentures/capital structure	17.6%	17.4%	16.7%	18.2%	14.6%
Debentures, preferred shares issued by a subsidiary and other equity instruments/capital structure	22.0%	23.5%	22.7%	24.8%	21.9%
Debentures, preferred shares issued by a subsidiary and other equity instruments /capital structure and post-tax CSM	14.6%	16.0%	N/A	N/A	N/A
Coverage ratio (number of times)†,[2]	15.0x	5.7x	16.1x	11.7x	16.6x
Coverage ratio – core† (number of times)	18.5x	18.8x	N/A	N/A	N/A

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

[2] Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred share dividends and preferred share redemption premiums (if applicable).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Solvency

When iA Financial Corporation was created as a holding company, it committed to following the Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline issued by the Autorité des marchés financiers (AMF). The Company had a solvency ratio† of 145% at December 31, 2023, compared to 126% at December 31, 2022. This result is well above the Company's operating target of 120%. The nineteen percentage point increase is mainly explained by better recognition of the Company's financial strength under IFRS 17 and IFRS 9 and the positive contribution of organic capital generation.† These favourable items were partly offset by the impact of $461 million in share buybacks (NCIB), the $150 million preferred share redemption and unfavourable macroeconomic variations, including value adjustments to investment properties.

The acquisition announced on October 3, 2023 of Vericity, a U.S. life insurance carrier and digital agency, is expected to reduce the Company's solvency ratio by three percentage points at closing, which is anticipated in the first half of 2024. Therefore, on a pro-forma basis at December 31, 2023, the solvency ratio is 142%.

The Company's solvency ratio remained well above the operating target of 120% throughout 2023. The Company intends to continue to maintain its solvency ratio above its target.[3]

	As at December 31	
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[4]**
Available capital	8,236	4,781
Surplus allowance and eligible deposits	2,448	4,621
Base solvency buffer	7,355	7,481
Solvency ratio†	**145%**	**126%**

Organic capital generation

As mentioned above, organic capital generation† was very strong throughout the year, with the Company generating $600 million in additional capital in 2023, achieving the Company's organic capital generation annual target of $600+ million, as indicated at the Investor Session held on March 28, 2023. The very good organic capital generation is expected to continue into 2024.

Total capital available for deployment

At December 31, 2023, the capital available for deployment is assessed at $1.6 billion, which is a strong result considering the amount of capital that was deployed in 2023 through investments in organic growth and digital transformation, increased dividends to shareholders, as well as the high level of share buybacks (NCIB) during the year.

Equity and Financing

Redemption and Issue of Financial Instruments

In March 2023, iA Insurance redeemed its non-cumulative 5-year rate reset Class A Preferred Shares – Series I issued in February 2018 for a total redemption price of $150 million.

In June 2023, iA Financial Corporation issued $400 million in 5.685% fixed/floating unsecured subordinated debentures.

In September 2023, iA Insurance redeemed its subordinated debentures issued in September 2016 with a principal amount of $400M and bearing interest of 3.30%.

Debentures

The Company had four series of debentures on its balance sheet at December 31, 2023, with a total book value of $1,494 million. These four series, which are detailed in the table later in this section, were classified as financial liabilities at amortized cost. The debentures represent direct unsecured obligations of the Company that are subordinate to those of the Company's policyholders and other creditors. In 2023, the financing expense, made up of interest and the amortization of issuance costs, amounted to $54 million compared to $46 million in 2022.

Limited Recourse Capital Notes

The Company had one Limited Recourse Capital Note on its balance sheet at December 31, 2023, with a total book value of $250 million. This note, which is detailed in the table later in this section, was classified as other equity instruments at cost. The note represents a direct unsecured limited recourse obligation of the Company. As such, recourse of the noteholder is limited to that holder's proportionate share of the Limited Recourse Trust's assets, which consist of non-cumulative 5-year rate reset Class A Preferred Shares – Series A. In 2023, the distributions amounted to $16 million compared to $9 million in 2022 and were recognized directly to retained earnings.

[3] Please refer to the "Forward-Looking Statements" section of this document.
[4] 2022 figures calculated according to the IFRS 4 accounting standard and the capital standard applicable in 2022.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outstanding Common Shares

The Company has only one class of common shares and all common shares contain a single voting right. In addition, no shareholder may acquire, directly or indirectly, 10% or more of the voting shares of iA Financial Corporation, and iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance. iA Financial Corporation's common shares are traded on the Toronto Stock Exchange under the ticker symbol IAG. (See the "Notice" at the beginning of this Management's Discussion and Analysis for more information about the legal constitution of iA Financial Group.)

The number of issued and outstanding common shares at December 31, 2023 was 99,642,745, a decrease of 5,130,030 compared to December 31, 2022. This decrease is mainly due to the redemption and cancellation of common shares under the Normal Course Issuer Bid (NCIB) program, which was marginally offset by the exercise of stock options under the stock option plan for executives.

Common Shares

	As at December 31				
(In millions)	**2023**	**2022**	**2021**	**2020**	**2019**
Number of common shares outstanding	100	105	108	107	107

Stock Price and Market Capitalization

iA Financial Group became a stock company in February 2000. The Company's stock began trading on the Toronto Stock Exchange on February 3, 2000, at a price of $7.875, taking into account the two-for-one split of the Company's common shares, which took place on May 16, 2005. The Company's stock closed the year at $90.33, with a market capitalization of $9.0 billion, an increase of 8% in 2023.

Stock Price and Market Capitalization

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2023**	**2022**	**2021**	**2020**	**2019**
Stock price	$90.33	$79.27	$72.38	$55.18	$71.33
Market capitalization	9,001	8,305	7,785	5,908	7,630

Book Value per Common Share[5]

The book value per common share was $66.90 at the end of 2023, up 6% during the year. This increase stems mainly from the contribution of retained earnings, which was partly offset by share buybacks (NCIB) and dividend payments to common shareholders. Excluding the impact of the NCIB, book value growth was 8% in 2023.

Book Value per Common Share

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	**2022**	**2021**	**2020**	**2019**
Book value per common share[5]	$66.90	$63.00	$62.01	$55.52	$51.99

Preferred Shares

In 2023, the iA Insurance subsidiary paid $8 million in dividends to preferred shareholders with Class A Shares – Series B and I. All issued and outstanding Class A Shares – Series I were redeemed on March 31, 2023 as mentioned above. Therefore, iA Insurance's capital currently includes only one class of preferred shares, the Class A Preferred Shares – Series B, as shown in the full-page table later in this section.

[5] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Dividends

In June 2023, the Company increased its quarterly dividend per common share by 13%, from $0.6750 to $0.7650. As a result, the dividend for 2023 totalled $2.9700 per common share, compared to $2.6000 per common share in 2022, an increase of 14%. In total, the Company paid out $304 million in dividends to common shareholders in 2023. The dividend payout ratio† for the year was 32% of core earnings, which is in the top half of the 25% to 35% target range given as guidance at the beginning of 2023.

Dividends

	2023	2022	2021	2020	2019
Dividends paid per common share	$2.97	$2.60	$2.08	$1.94	$1.77
Dividend payout ratio† on a core basis	32%	29%	27%	34%	27%

Declaration of Fourth Quarter Dividends

Following are the amounts and dates of payment and closing of registers for common shares and preferred shares.

- The Board of Directors approved a quarterly dividend of $0.8200 per share, an increase of 7% or $0.0550 from the previous paid dividend, on the outstanding common shares of iA Financial Corporation. This dividend is payable on March 15, 2024 to the shareholders of record at March 1, 2024.
- In the fourth quarter of 2023, iA Insurance paid a dividend of $200 million in favour of its sole common shareholder, iA Financial Corporation. Late in the fourth quarter of 2023, the Board of Directors of iA Insurance also approved an additional dividend of $125 million to be paid to iA Financial Corporation. Of this amount, $109 million was paid in the fourth quarter of 2023 and the remaining balance will be settled over the course of 2024. Accordingly, iA Insurance paid a total of $309 million in dividends to iA Financial Corporation in the fourth quarter of 2023.
- In the first quarter of 2024, iA Insurance approved the declaration of a dividend of $150 million to be paid to its sole common shareholder, iA Financial Corporation.
- The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.2875 per non-cumulative Class A Preferred Share – Series B. The dividend is payable in cash on March 31, 2024, to the preferred shareholders of record as at February 23, 2024.

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by iA Financial Corporation on its common shares and by Industrial Alliance Insurance and Financial Services on its preferred shares are eligible dividends.

Stock Option Plan

In accordance with the Stock Option Plan adopted by the Board of Directors in 2001, the Human Resources and Compensation Committee granted 206,000 new share purchase options in 2023. These new options, which will expire in 2033, were granted at $82.09. The issue, net of the options exercised and cancelled during the year, brings the number of share purchase options outstanding to 1,464,733 or 1.47% of the number of issued and outstanding shares at December 31, 2023.

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

The Dividend Reinvestment and Share Purchase Plan for Common Shareholders allows participants to have their dividends automatically reinvested in iA Financial Corporation common shares and to make cash purchases of additional iA Financial Corporation common shares. Shares issued under the plan are currently acquired on the secondary market.

Normal Course Issuer Bid

On November 7, 2023, the Company announced the renewal of its Normal Course Issuer Bid (NCIB), in effect since November 14, 2023. Through this NCIB program, the Company can redeem, in the normal course of its activities, between November 14, 2023 and November 13, 2024, up to 5,046,835 common shares representing approximately 5% of the issued and outstanding common shares. A total of 5,394,180 shares were redeemed and cancelled in 2023, representing a cumulative amount of $461 million.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Preferred Shares, Debentures and other Equity Instruments – iA Financial Corporation Inc.

Subordinated debentures issued on February 21, 2020 and maturing on February 21, 2030

Principal amount:	$400 million
Book value:	$398 million
Interest:	2.400% until February 21, 2025. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate) plus 0.71%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 21, 2025, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $1.8 million.

Subordinated debentures issued on September 24, 2019 and maturing on September 24, 2031

Principal amount:	$400 million
Book value:	$398 million
Interest:	3.072% until September 24, 2026. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 1.31%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 24, 2026, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $2.0 million.

Subordinated debentures issued on February 25, 2022 and maturing on February 25, 2032 (Sustainability Bonds)

Principal amount:	$300 million
Book value:	$299 million
Interest:	3.187% until February 25, 2027. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 0.91%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 25, 2027, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $1.0 million.

Subordinated debentures issued on June 20, 2023 and maturing on June 20, 2033

Principal amount:	$400 million
Book value:	$399 million
Interest:	5.685% until June 20, 2028. After that date, interest on the debentures will be payable at a rate per annum equal to Daily Compounded CORRA, plus 1.96%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after June 20, 2028, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $1.4 million.

Limited Recourse Capital Notes issued on June 1, 2022 and maturing on June 30, 2082

Principal amount:	$250 million
Book value:	$250 million
Interest:	6.611% until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the interest rate on these notes will be reset at an interest rate per annum equal to the 5-year Government of Canada bond yield plus 4.00%.
Redemption and repayment:	Redeemable by the Company on June 30, 2027, and every 5 years thereafter from May 31 to June 30, in whole or in part, subject to prior approval by the regulatory bodies.

Class A Preferred Shares – Series A issued on May 25, 2022 as part of the Limited Recourse Capital Notes ("Notes") issuance on June 1, 2022

Number:	250,000
Held by:	Class A Preferred Shares – Series A held by the Limited Recourse Trustee, Computershare Trust Company of Canada, as trust assets (the "Limited Recourse Trust"). In the event of non-payment of interest on or principal of the Notes when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Series A shares, except in certain limited circumstances.
Principal amount:	$250 million
Book value:	Held within the Limited Recourse Trust and therefore is eliminated on the Company's Consolidated Statements
Dividend:	Non-cumulative 5-year rate reset semi-annual dividend at an initial annual rate of $66.11 in cash per preferred share until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada Yield plus 4.00%. Until revoked, the Limited Recourse Trust has waived its right to receive any and all dividends on the Class A Preferred Shares – Series A.
Voting rights:	No voting rights
Conversion:	None
Redemption and repayment:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on June 30, 2027 and every 5 years thereafter from May 31 to June 30 inclusive.

Preferred Shares, Debentures and Other Equity Instruments – Industrial Alliance Insurance and Financial Services Inc.

Class A Preferred Shares – Series B

Number:	5,000,000
Principal amount:	$125 million
Book value:	Shares recognized at their acquisition value
Dividend:	Fixed non-cumulative quarterly dividend of $0.2875 per preferred share
Voting rights:	No voting rights
Conversion:	Not convertible into common shares; convertible to Class A Preferred Shares subject to certain conditions.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the Autorité des marchés financiers (AMF), on or after March 31, 2011.

More information about the features of the preferred shares, debentures and other equity instruments can be found in the prospectus documents, which are available on the Company's website at ia.ca in the *Investor Relations* section under *About iA*.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported in a timely fashion to senior management, in particular the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary in order that appropriate decisions may be made regarding disclosure. These controls and procedures are also designed to ensure that the information is gathered, recorded, processed, condensed and reported within the time frames prescribed by Canadian securities regulations.

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the controls and procedures for disclosing the Company's information. Following an evaluation carried out by these senior officers as at December 31, 2023, the Company's disclosure controls and procedures were deemed to be effective.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance that the Company's financial reporting is reliable and that, for the purposes of publishing its financial information, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the Company's internal control over financial reporting as defined in Multilateral Instrument 52-109 (*Certification of Disclosure in Issuers' Annual and Interim Filings*). As at December 31, 2023, they evaluated the effectiveness of the internal control over financial reporting using the framework and criteria established in the *Internal Control – Integrated Framework* report published by the Committee of Sponsoring Organizations of the Treadway Commission. Following this evaluation, they concluded that the internal control over financial reporting was effective. During the year, no changes had, or are reasonably likely to have had, a material impact on internal control over financial reporting.

Significant Accounting and Actuarial Policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For more information on significant accounting policies, refer to Note 2 of the Company's consolidated financial statements.

The preparation of the financial statements requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results may differ from management's estimates. The estimates and assumptions are revised periodically based on changes in relevant facts and circumstances. The changes are then accounted for in the period in which the revisions are made and in all subsequent periods affected by the revisions. The most significant estimates and judgments pertain to the classification of contracts and the determination of policy liabilities.

Other Items

Related Party Transactions

Related party transactions are described in Note 30 of the Company's consolidated financial statements.

Guarantees, Commitments and Contingencies

In the normal course of business, the Company frequently signs various types of contracts or agreements which, in certain cases, can be considered to be guarantees, commitments or contingencies.

As at December 31, 2023, the Company's contractual obligations and commitments were as follows:

Contractual Obligations – Payments Due by Period

	As at December 31, 2023			
(In millions of dollars)	**Total**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Debentures	1,499	—	—	1,499
Lease liabilities	106	19	49	38
Purchasing commitments	416	124	292	—
Other long-term commitments	116,004	7,361	1,703	106,940
Total of contractual obligations	**118,025**	**7,504**	**2,044**	**108,477**

For more information on commitments to third parties, investment commitments and the Company's lines of credit, refer to Note 31 of the consolidated financial statements.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Credit Ratings

The Company and its subsidiaries receive credit ratings from three independent rating agencies: Standard & Poor's, DBRS Morningstar and A.M. Best. These ratings, presented in the table below, confirm the financial strength of the Company and its subsidiaries and their ability to meet their commitments to policyholders and creditors.

In 2023, the credit ratings assigned by Standard & Poor's, DBRS Morningstar and A.M. Best remained unchanged, with a stable outlook for all ratings of iA Financial Corporation and its related entities, including iA Insurance.

Credit Ratings

iA Financial Corporation Inc.

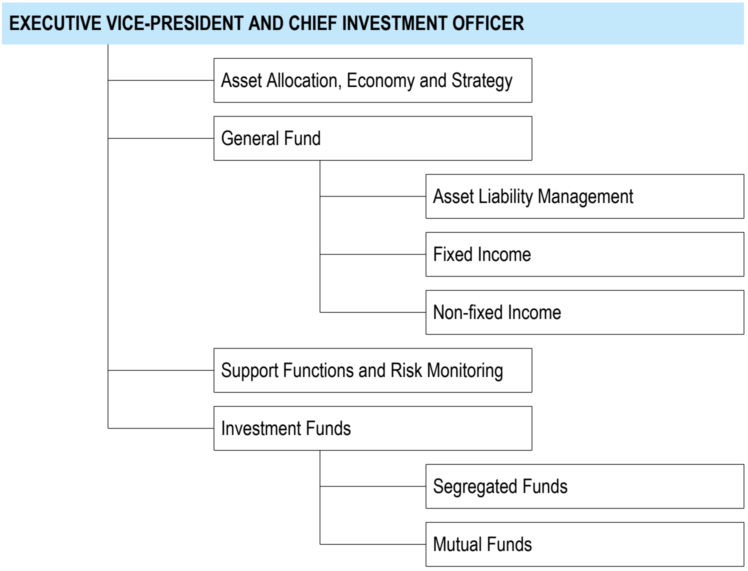
Agency	Type of evaluation	Rating
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
	Limited Recourse Capital Notes	BBB+
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)
	Limited Recourse Capital Notes	BBB (high)
Industrial Alliance Insurance and Financial Services Inc.		
Standard & Poor's	Issuer Credit Rating	AA-
	Financial Strength Rating	AA-
	Subordinated Debentures	A+
	Preferred Shares – Canadian scale	P-1 (low)
	Preferred Shares – Global scale	A
DBRS Morningstar	Financial Strength	AA (low)
	Issuer Rating	AA (low)
	Subordinated Debentures	A (high)
	Preferred Shares	Pfd-1 (low)
A.M. Best	Financial Strength	A+ (Superior)
	Issuer Credit Rating	aa- (Superior)
	Subordinated Debentures	a (Excellent)
	Preferred Shares	a- (Excellent)
IA American Life Group Entities (IA American Life Insurance Company, American-Amicable Life Insurance Company of Texas, Pioneer Security Life Insurance Company, Pioneer American Insurance Company, Occidental Life Insurance Company of North Carolina)		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)
Industrial Alliance Pacific General Insurance Corporation		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a+ (Excellent)
Dealers Assurance Company		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investments

Description of Sector

The Investments sector has two main functions: managing the assets in the Company's general fund and managing the investment funds offered to its clients. All of iA Financial Group's investment activities, including those associated with its U.S. operations, are combined under a single authority and share a common philosophy. The sector's management structure is illustrated below.


EXECUTIVE VICE-PRESIDENT AND CHIEF INVESTMENT OFFICER
Asset Allocation, Economy and Strategy
General Fund
Asset Liability Management
Fixed Income
Non-fixed Income
Support Functions and Risk Monitoring
Investment Funds
Segregated Funds
Mutual Funds

At iA Financial Group, investment professionals have a diverse range of responsibilities, working with the general fund and for a number of segregated and mutual funds, in addition to overseeing all external managers.

The asset allocation team is responsible for balancing risk, return, liability matching and regulatory capital requirements while considering market trends and economic indicators to optimize the general fund portfolio.

The general fund experts manage a diverse range of investments, including fixed income, non-fixed income and derivatives. Fixed income investments include, among other things, corporate bonds, governments, municipalities, mortgages and short-term investments. Non-fixed income investments include, among other things, infrastructure, private equity and real estate.The general fund experts also utilize derivatives to manage risk.

The risk monitoring team is responsible for developing a global vision for the control and monitoring of the various investment risks (interest rate, stock market, exchange rate, credit, liquidity, etc.). It is also responsible for analyzing and monitoring active risk and risks related to investment funds and general funds. In addition to quantifying the risks, the team helps develop strategies for managing these risks effectively.

Sustainable Investment Approach

The *Responsible Investment Policy*, *Sustainable Development Policy* and *Proxy Voting Policy* provide guidance on how our investment teams incorporate ESG considerations into investment management and stewardship activities in a consistent and comprehensive manner.

When assets are managed internally, portfolio managers and analysts of iA Global Asset Management Inc. ("iAGAM", which includes Industrial Alliance Investment Management Inc. and iA Global Asset Management Inc.) are expected to adhere to the guiding principles of the Responsible Investment Policy, in particular the incorporation of ESG considerations into the investment process. iAGAM regularly assesses the application of this Policy across its investment portfolios. When assets are managed by an external manager, we review their responsible investment policy and practices as part of the selection process, as well as on a regular, ongoing basis.

Also, the general fund is pursuing decarbonization efforts with greenhouse gas (GHG) reduction targets for its public corporate bond portfolio and investment property holdings. As a major property owner, iA Financial Group measures its environmental performance based on stringent industry standards.

For more information about the Company's new GHG reduction targets, please refer to the December 14, 2023 news release.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Assets Under Management and Administration[†]

At December 31, 2023, iA Financial Group reached nearly $218.9 billion in assets under management and administration, an increase of 11% during the year.

Assets Under Management and Administration

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
(In millions of dollars)	2023	2022	2021	2020	2019
Assets under management[†]					
General fund	52,009	47,094	55,082	53,662	45,280
Segregated funds	41,837	37,334	39,577	32,804	27,868
Mutual funds	12,204	11,611	13,955	11,393	11,594
Other	4,485	3,670	2,862	3,797	15,500
Subtotal	110,535	99,709	111,476	101,656	100,242
Assets under administration[†]	108,349	97,717	109,687	95,830	89,246
Total	**218,884**	**197,426**	**221,163**	**197,486**	**189,488**

Assets under management, which are made up of amounts in the general fund, segregated funds and mutual funds, as well as certain assets managed for third parties (classified as *Other*), increased 11% compared to the previous year, amounting to $110.5 billion at December 31, 2023.

Assets under administration of more than $108.3 billion at December 31, 2023 increased 11% over the last twelve months. Assets under administration essentially include third-party assets that are administered through the mutual fund brokerage company (Investia Financial Services), the securities brokerage company (iA Private Wealth) and the trust company (iA Trust).

General Fund

General Fund Investments

The Company primarily uses two key investment strategies for its general fund: the Total Portfolio Management (TPM) strategy and the Universal Life Policy Accounts strategy.

For the TPM strategy, iA Financial Group advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. The strategy takes into account the constraints imposed by the investment policies as well as the Risk Appetite and Tolerance Statement, which include interest rate risk, credit spread risk, equity risk and credit risk limits. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

Until the transition to IFRS 17 and IFRS 9, the Company was proactive in reviewing one of its investment strategies, the aforementioned TPM strategy, which was completed in 2023. In this context, the Company aligned its investment strategy for the vast majority of the Company's general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts.

Under the TPM strategy, the Company uses high-quality assets, primarily made up of long-term fixed income securities (such as bonds) and non-fixed income assets (such as stocks), to optimize the risk and return of this liability category. Derivative financial instruments can also be utilized to improve the portfolio's asset/liability positioning or its risk-adjusted return. The asset allocation aims to achieve an optimal return, taking into account capital requirements, expectations regarding the interest rate structure and the long-term capital market assumption for non-fixed income assets.

The Universal Life Policy Accounts strategy, which remains unchanged, relates to the pass-through and participating products and to the Company's general fund insurance contract liabilities (assets) linked to Universal Life policy accounts.

For more information about these two investment strategies, refer to the "Risk Management" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Composition of General Fund Investments

The total value of the investment portfolio exceeded $42.6 billion at the end of 2023, an increase of 11% over the last twelve months. At the end of 2023, 70% of the Company's investments were invested in bonds and 9% in loans (including mortgages), for a total of 79% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 77% and 79% over the last five years, while stocks have varied between 7% and 10%.

General Fund Investments

	As at December 31	
	IFRS 17 and IFRS 9	
(In millions of dollars)	**2023**	**2022**
Bonds[1]	29,940	26,117
Stocks	4,069	4,028
Loans (including mortgages)	3,660	3,704
Investment properties	1,611	1,804
Cash and short-term investments	1,379	1,358
Other	1,959	1,553
Total	**42,618**	**38,564**

Investments by Asset Category

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Portfolio	**$42.6B**	**$38.6B**
Bonds[1]	70%	68%
Stocks	10%	10%
Loans (including mortgages)	9%	10%
Investment properties	4%	5%
Cash and short-term investments	3%	4%
Other	5%	4%
Total	100%	100%

The figures do not always add up exactly due to rounding differences.

Bond Portfolio

The Company's bond portfolio is of high quality, totalling $29.9 billion at December 31, 2023.

In accordance with the rules defined in the investment policies, the Company largely invests in bonds whose credit rating from a recognized rating agency is BBB low or higher at the time of acquisition. In the event no evaluation is available from a recognized rating agency, the Company uses an in-house method to evaluate the quality of the bonds in question.

The proportion of bonds rated A or higher made up 73% of the bond portfolio at the end of 2023, compared to 75% at the end of 2022. At December 31, 2023, bonds rated BB and lower (high-yield bonds) totalled $176 million (0.6% of the bond portfolio), compared to $249 million at December 31, 2022 (1.0% of the bond portfolio).

Bonds by Credit Rating

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Portfolio[1]	**$29.9B**	**$26.8B**
AAA	7%	6%
AA	29%	30%
A	38%	38%
BBB	26%	24%
BB and lower	1%	1%
Total	100%	100%

The figures do not always add up exactly due to rounding differences.

[1] Adjustments for Q4/2022 to Q3/2023 bond portfolio figures and other liabilities were implemented in Q4/2023.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

In addition to investing in bonds issued through public placements (government bonds and bonds of public corporations), the Company also invests in bonds issued through private placements. These bonds offer investment opportunities that are generally not available on the public market, and offer performance and risk features that are suitable for the operations of a life insurance company. They also provide greater access to information from issuers. However, bonds issued through private placements do not have the same level of liquidity and could be impacted by changing credit conditions in the market. At December 31, 2023, private issue bonds totalled $5.7 billion, accounting for 19% of the bond portfolio ($5.3 billion or 20% of the portfolio at December 31, 2022).

Bond Portfolio

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	**2022**	**2021**	**2020**	**2019**
Book value of the portfolio ($M)[2]	**29,940**	**26,117**	**32,892**	**32,099**	**27,509**
Distribution by category of issuer (%)					
Governments	30	30	40	47	50
Municipalities	3	3	4	5	5
Corporates – Public issues	48	47	38	31	28
Corporates – Private issues	19	20	18	17	17
Total	100	100	100	100	100

The figures do not always add up exactly due to rounding differences.

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to nearly $3.7 billion at December 31, 2023, relatively stable compared to the end of the previous year.

The mortgage portfolio alone, made up of multi-residential and non-residential mortgages, totalled more than $1.4 billion and remained of excellent quality at December 31, 2023, with insured mortgages representing 68% of the total mortgage portfolio, as shown in the table below.

At December 31, 2023, the proportion of multi-residential mortgage properties was 83% and has been above 80% for several years.

At the end of 2023, 17% of the mortgage portfolio ($245 million) was securitized through the Canada Mortgage and Housing Corporation (CMHC) Canada Mortgage Bond (CMB) program.

The other loans portfolio, which includes car loans and personal loans, totalled more than $2.2 billion at the end of 2023 compared with $2.1 billion at the end of 2022. The indicators in the table below confirm the quality of the car loans portfolio, with total allowance for credit losses (ACL) as a percentage of gross sales at 5.21%, remaining below pre-pandemic levels.

Mortgages and Other Loans Portfolio

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Book value of loans portfolio ($M)		
Mortgages	1,426	1,592
Car loans and other loans	2,234	2,112
Total	**3,660**	**3,704**
Distribution of mortgages by type of loan (%)		
Insured loans	68	70
Conventional loans	32	30
Total	100	100
Quality measure		
Car loans – Net impaired loans as a percentage of gross loans	0.41%	0.35%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.21%	4.93%

[2] Adjustments for Q4/2022 to Q3/2023 bond portfolio figures and other liabilities were implemented in Q4/2023.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Mortgages by Type of Property

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Portfolio	**$1.4B**	**$1.6B**
Multi-residential	83%	84%
Non-residential – Industrial	7%	6%
Non-residential – Retail	4%	3%
Non-residential – Office	6%	8%
Non-residential – Other	—	—
Total	100%	100%

In addition to mortgages and other loans, the Company also manages mortgages for third parties. In total, the Company's portfolio of mortgages and other loans plus mortgages managed for third parties amounted to $7.0 billion at December 31, 2023 ($6.2 billion at December 31, 2022).

Stock Portfolio

At December 31, 2023, investments in equity securities amounted to $4.1 billion, or 10% of the Company's total investments, compared to $4.0 billion or 10% a year earlier.

Investments in equity securities, as well as the Company's preferred shares, are used in both the Total Portfolio Management (TPM) and Universal Life Policy Accounts strategies described in the above General Fund Investments section. The stock portfolio used in the Total Portfolio Management strategy delivered a return of 10% in 2023. Private equities continued to occupy a large part of the stock portfolio in 2023, as this category offers opportunities in terms of diversification, returns and matching of very long-term commitments.

Stock Portfolio by Type of Strategy

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Strategy	**$4.1B**	**$4.0B**
Universal Life Policy Accounts	41%	38%
Total Portfolio Management	60%	63%

The figures do not always add up exactly due to rounding differences.

The management strategy used for the stock portfolio aims to optimize return through investments in preferred shares, common shares, market indices, private equities and investment funds. The Company favours a policy of diversification by industrial sector and by issuer to limit its exposure to concentration risk and to participate in the growth of all primary economic sectors.

Stock Portfolio

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	2022	2021	2020	2019
Book value of the portfolio ($M)	**4,069**	**4,028**	**3,906**	**3,286**	**3,024**
Distribution by category of stock (%)					
Common shares and investment fund units	31	27	30	30	27
Preferred shares	11	12	18	23	19
Market indices	7	7	5	2	10
Private equities	51	54	47	45	44
Total	100	100	100	100	100

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investment Properties Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties decreased by $193 million in 2023 to $1.6 billion at December 31, 2023. Changes in the book value are normally due to the net amount of acquisitions and dispositions, the change in the fair value of investment properties that were reappraised during the year and any capital expenses on the properties. Real estate investments represented 4% of the total investment portfolio at December 31, 2023.

The occupancy rate of investment properties was 87% at December 31, 2023, compared to 88% at December 31, 2022. This occupancy rate continues to compare favourably with office properties in large Canadian cities. The weighted average lease term (WALT) of the investment properties portfolio is 9.2 years, ensuring stable long-term revenues for the Company.

Office buildings account for 85% of the Company's investment properties. The rest of the portfolio is invested in other types of property such as retail, industrial, land, multi-residential and others.

Investment Properties

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022**	**2021**	**2020**	**2019**
Book value of the portfolio	**1,611**	**1,804**	**1,870**	**1,916**	**2,077**
Occupancy rate	87%	88%	92%	95%	94%

Investment Properties by Category of Property

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Portfolio	**$1.6**	**$1.8**
Office	85%	86%
Retail	6%	6%
Industrial	4%	4%
Multi-residential, land and other	5%	5%

The figures do not always add up exactly due to rounding differences.

Derivative Financial Instruments

The Company uses derivative financial instruments in the normal course of managing the risk arising from fluctuations in interest rates, equity markets, currencies and credit. These instruments are primarily made up of interest rate, equity and foreign exchange swaps, as well as options, futures and forward contracts.

Derivative financial instruments are used as part of the Company's hedging program. This program aims to alleviate the sensitivity of the capital guarantees on certain segregated fund products to interest rate and stock market fluctuations.

The Company also uses derivatives in the implementation of strategies to mitigate interest rate risk arising from asset liability mismatch and to hedge the risk associated with the Universal Life policy funds.

The Company uses derivative financial instruments to hedge its exposure to currency risk when investing in assets not denominated in the same currency as the liabilities backed by these assets.

The Company has an investment strategy that uses options to obtain synthetic stock market exposure while reducing its macroeconomic risk profile.

The table below presents certain values pertaining to the Company's financial instruments. For more information, refer to Note 9 of the Company's consolidated financial statements.

Derivative Financial Instruments – Fair Value and Exposure

	As at December 31	
	IFRS 17 and IFRS 9	
(In millions of dollars)	**2023**	**2022**
Net fair value	1,000	(475)
Notional amount	43,205	37,873

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Other Invested Assets

The *Other invested assets* category is made up of cash and cash equivalents, derivatives, short-term investments and other investments. These investments totalled $3.3 billion at December 31, 2023 ($2.9 billion at December 31, 2022).

Quality of Investment Portfolio

The overall quality of the investment portfolio remained very good in 2023, reflecting its composition of high-quality assets with diversified exposures and prudent positioning. The indicators in the table below summarize several quality measures that confirm the overall quality of the investments.

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Bonds – Proportion rated BB or lower	0.6%	1.0%
Mortgages – Proportion of insured loans	68.2%	69.7%
Investment properties – Occupancy rate	86.7%	88.3%
Car loans – Net impaired loans as a percentage of gross loans	0.4%	0.4%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.2%	4.9%

Investment Funds: Segregated Funds and Mutual Funds

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $54.0 billion at December 31, 2023 ($41.8 billion in segregated funds and $12.2 billion in mutual funds), an increase of $5.1 billion from the previous year. This increase is mostly explained by favourable financial markets as well as positive net sales in some market segments.

Segregated Fund and Mutual Fund Assets

	As at December 31				
(In billions of dollars)	2023	2022	2021	2020	2019
Segregated funds	41.8	37.3	39.6	32.8	27.9
Mutual funds	12.2	11.6	14.0	11.4	11.6

Range of Funds

iA Financial Group offers a broad and diverse range of investment funds. As at December 31, 2023, the Company offered its clients more than 250 funds, with approximately half of the assets in these funds being managed by internal investment teams.

The Company continued to adjust its segregated fund offering in 2023 to increase its diversity and complementarity and to respond to client demand. In the individual segregated fund segment, the Company added one fund through the launch of a Global Dividend fund. iA Clarington Investments added five funds during the year. These included three ETFs as part of its Active ETF series lineup, as well as two mutual funds (one global equity fund and two fixed income products). Lastly, in the Group Savings and Retirement sector, the Company made enhancements to its lineup with four additions and one closure. The additions include funds in the Canadian Equity, Global Equity, Target Date and Private Debt categories.

iA Financial Group's Investment Funds

	As at December 31, 2023	
	Assets ($billion)	Distribution of assets
Segregated funds	41.8	77%
Mutual funds	12.2	23%
Total	**54.0**	**100%**

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investment Fund Performance

The global economy turned out to be more robust than expected in 2023, with the U.S. GDP expanding at a remarkable rate, fuelled by consumer spending. Notably, the U.S. labour market remained a strong point with sustained hiring and more workers joining the labour force, causing the unemployment rate to rise. The Canadian economy echoed some of the trends observed in the U.S. economy, with inflation cooling and unemployment rates rising, as job creation could not accommodate the historically elevated immigration rate. However, unlike the thriving U.S. economic growth, Canada's economic growth remained relatively flat. Global inflation levels continued to fall, with energy prices dropping and the cumulative impact of monetary policy tightening at work. While growth in China's economy remained somewhat subdued due to its property sector, both the U.S. and Europe witnessed impressive market performances.

A rally during the last quarter of the year allowed most equity markets to close 2023 with strong results. The S&P 500 (representing the U.S. equity market) progressed by 26.3% (in USD) for the year and 23.3% in Canadian dollar terms given the relative strength of the U.S. dollar. The tech-heavy Nasdaq 100 had even more impressive results with a 50.2% gain for the year (in CAD). In Canada, the S&P/TSX advanced by 11.8% during the period and was held back by energy and materials. Overseas, the MSCI EAFE and MSCI EM (emerging markets) international equity indices returned 15.2% and 7.7%, respectively, for the year (in CAD). Globally, the MSCI World, which includes all developed countries, returned 20.9% (in CAD) in 2023. As for fixed income, 2023 allowed for a turnaround as interest rates started to decline in the last few months of the year as inflationary pressures subsided and market participants started to price in central bank cuts in 2024. In this environment, the FTSE Canada Universe Bond Index, representing the investment-grade fixed income market, returned 6.7% for the year.

In this context, the vast majority of our funds generated attractive results given public market returns. These results were generally aligned with those of similar funds offered in the industry. The returns on all the Company's investment funds, as well as detailed financial information on these funds, are presented in the investment fund financial reports prepared by iA Financial Group.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Risk Management

The “Risk Management” section of the Management’s Discussion and Analysis contains certain information required under IFRS 7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the audited consolidated financial statements for the period ended December 31, 2023, given that the standard permits cross-references between the Notes to the Financial Statements and the Management’s Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally aligned with what is found in the financial statements.

As a financial group, iA Financial Corporation must take and manage a variety of risks arising from its business activities, in order to create long-term value and ensure its sustainability.

Risk Management Principles and Responsibilities

iA Financial Corporation defines risk as the possibility of an event occurring that will have an adverse impact on its business, financial condition and achievement of objectives. Sound and effective risk management therefore involves identifying, assessing, measuring, understanding, managing, monitoring and communicating the risks to which the Company is exposed in the course of its operations, and the effectiveness of the controls in place to mitigate them.

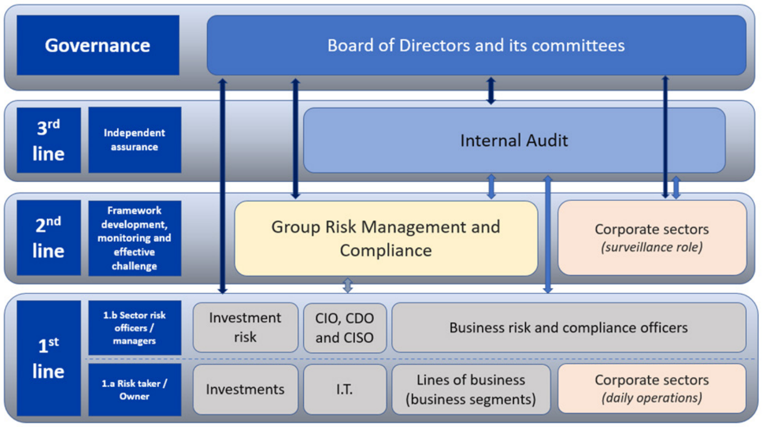
In accordance with this principle, iA Financial Corporation has implemented an integrated risk management framework that is continually applied and taken into account in developing the Company’s business strategies and in all of its operations. The risk management framework enables the Company to conduct sound and prudent risk management by promoting an approach that balances the achievement of strategic objectives with risk taking. This approach is characterized by the consideration of risks in decision-making, aligning the strategic orientations, and respecting the Company’s risk appetite and tolerance. The framework defines the Company’s risk appetite as the type and level of risk the Company is willing to accept in relation to its strategic objective and to enhance its long-term value.

To maximize the benefits of integrated risk management, iA Financial Corporation considers the interrelationships and interdependencies between risks and controls, and ensures that strategies, tools and resources are aligned to provide holistic risk management across the Company. The risk management framework allows the Company to monitor its risk profile and increase its ability to act effectively and quickly when necessary. A better understanding of its risks helps iA Financial Corporation achieve its strategic and business objectives, prevent losses, and allocate resources more effectively, while promoting the Company’s resilience. By providing sufficient and relevant information on the effectiveness of risk management, the risk management framework also provides senior management and the Board of Directors with a reasonable level of confidence and reassurance that all categories of risk are understood and managed in relation to the achievement of iA Financial Corporation’s objectives. It contributes to ensuring that the Company can meet its commitments to policyholders, creditors and regulatory bodies.

The Company’s risk management process is supported by a strong governance structure, a sound risk management culture and an effective framework that adapts to the evolution of the Company, its activities, its level of maturity and its environment. As part of this process, the Company continuously reviews and improves its risk management framework based on its financial and non-financial situation, the nature, size and complexity of its activities, its risk profile, its long-term strategic plan and the internal and external environment in which it operates.

The framework is governed by a corporate policy designed to classify, define and manage the risks the Company is exposed to. The policy outlines the risk management governance and organizational structure, including the roles and responsibilities of the various people involved in the risk management process. It also describes the key steps in the process, particularly in terms of identifying, assessing, measuring, managing, monitoring and communicating the risks. Compliance with and application of the framework allow for a sound risk management culture to be maintained and promoted within the Company.

The diagram that follows illustrates the responsibility levels with respect to integrated risk management within the Company.


Governance
Board of Directors and its committees
3rd line
Independent assurance
Internal Audit
2nd line
Framework development, monitoring and effective challenge
Group Risk Management and Compliance
Corporate sectors (surveillance role)
1st line
1.b Sector risk officers / managers
Investment risk
CIO, CDO and CISO
Business risk and compliance officers
1.a Risk taker / Owner
Investments
I.T.
Lines of business (business segments)
Corporate sectors (daily operations)

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Supported by a strong risk culture, the Company's risk management approach is based on the three lines of defence governance model. This approach is premised on the implementation of coordinated risk management and control systems throughout the Company.

The first line of defence is the risk owners. It includes the corporate sectors (including Information Technology), the Investments sector and the business segments. They are responsible for establishing and executing the business strategies to comply with the Company's defined risk appetite and tolerance, and ensuring a long-term balance between risk and return. They are also responsible for applying the principles, frameworks, policies, guidelines, standards, tools and methodologies developed by the second line of defence and for identifying, communicating and managing risks that could prevent them from achieving the objectives identified in their respective areas of responsibility. They must ensure that proper controls are in place and functional, and that they are integrated into their sector's systems and processes. The first line of defence is separated into line 1.a, the actual risk takers and control owners, and line 1.b, the people with risk management and internal control responsibilities in their sectors.

The second line of defence refers to the Group Risk Management and Compliance sector, headed up by the Executive Vice-President and Chief Risk Officer. The compliance function is headed up by the Vice-President and Chief Compliance Officer and reports to the Chief Risk Officer. It also includes the corporate sectors in their role of surveillance, quality assurance and compliance. The second line of defence is responsible for objectively and impartially monitoring and critically analyzing the risks arising from the activities and controls implemented by the first line of defence. It is also responsible for developing and maintaining the principles, policies, frameworks, guidelines, standards, tools, and methodologies to identify, assess, aggregate, manage, track, monitor and report on current and emerging risks. To this end, it guides and supports the first line of defence in the rigorous assessment of significant risks to which the Company is exposed.

These two lines of defence work together to ensure prudent and disciplined management in protecting the Company's reputation and long-term sustainability. They are also responsible for keeping senior management and the Board of Directors regularly informed about the Company's main risks and the steps taken to manage them.

The Chief Risk Officer and his team work closely with the first line of defence to promote a culture of sound risk management across the organization. Based on a holistic view of the risks and considering the interrelationships that may exist between them, the Chief Risk Officer communicates any pertinent information to senior management and the Board of Directors.

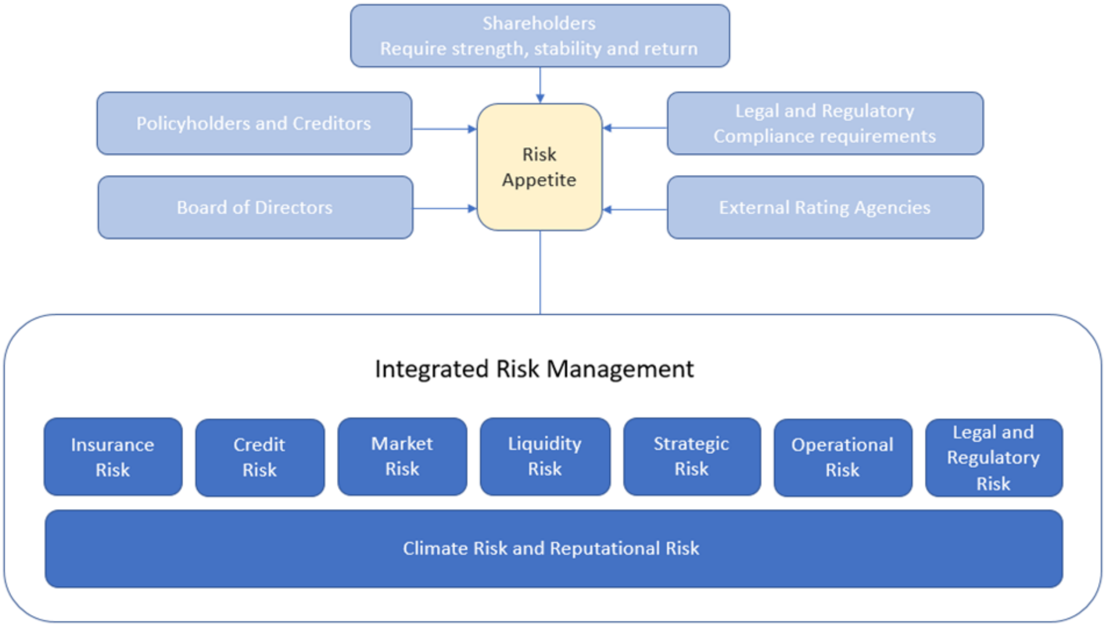
As the third line of defence, Internal Audit provides independent assurance to senior management and to the Board of Directors regarding the adequacy and effectiveness of governance, risk management and internal control processes. It recommends improvements to the process and reports on the situation to the Board of Directors' Audit Committee.

The Board of Directors, supported by the Risk, Governance and Ethics Committee, approves the corporate policy governing the integrated risk management framework, as well as any changes that are made to it. It also approves the overall level of risk the Company is willing to accept, as well as the associated tolerances and limits, in order to achieve its business objectives and to enhance its long-term value.

The integrated risk management framework applies to the Company's subsidiaries. A collaborative relationship, based on communication and reporting protocols, is established between the corporate risk management team and those responsible for risk management in the subsidiaries, while a functional reporting relationship takes place between the corporate compliance team and those responsible for compliance in the subsidiaries.

The Boards of Directors of the subsidiaries, which are made up of members renowned for their expertise in their respective fields as well as senior executives from the parent company, also play an important role in monitoring risks and approving relevant policies.

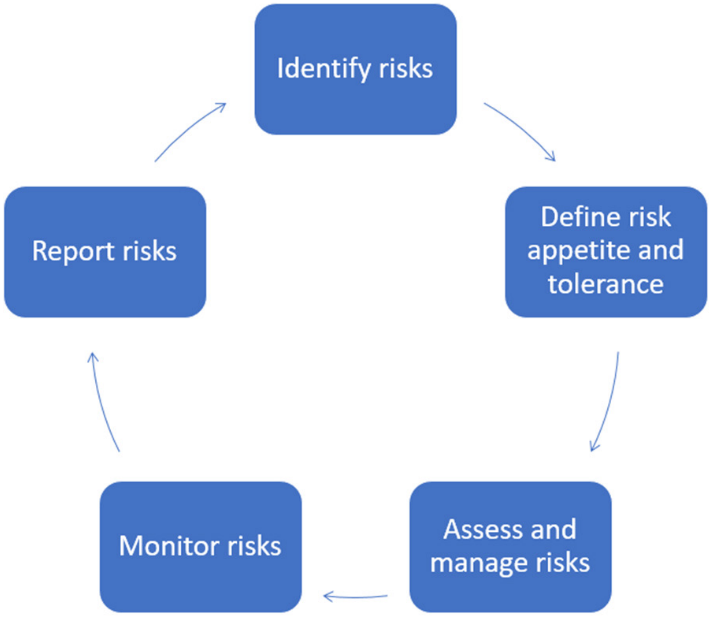
Integrated Risk Management Framework


Shareholders
Require strength, stability and return
Policyholders and Creditors
Legal and Regulatory Compliance requirements
Risk Appetite
Board of Directors
External Rating Agencies
Integrated Risk Management
Insurance Risk
Credit Risk
Market Risk
Liquidity Risk
Strategic Risk
Operational Risk
Legal and Regulatory Risk
Climate Risk and Reputational Risk

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The diagram above illustrates the categories of risk the Company is exposed to while pursuing its strategic objectives. A summary of these risks and the processes for managing them is outlined in the following pages. Each of these risk categories can include current and emerging risks, and the way in which they are taken into account across the organization is adjusted accordingly.

Risk management is a process designed to ensure that risks are properly managed and that they comply with iA Financial Corporation's Risk Appetite and Tolerance Statement. The process is composed of five steps performed in an iterative and continuous manner. These steps are illustrated in the diagram below.



Although the steps in the process are common to all risk categories, each category requires a tailored strategy for risk identification, assessment and management that is adapted and relevant to its specificities. In addition, the management of these risks is supported by a strong risk management culture across the organization. This culture can be defined as the behaviours adopted by Company employees, who observe and apply the principles of the integrated risk management framework to their job and their day-to-day activities. These behaviours are also governed by respect for ethics and transparency in decision-making. This culture and these behaviours make up the solid common foundation for the Company's risk management activities.

iA Financial Corporation has developed a risk taxonomy that includes the following risk categories.

Insurance Risk

Insurance risk is the risk of financial loss due to unexpected changes in pricing or reserving assumptions. This category is driven by the following risk factors:

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates or premium payment pattern compared to assumptions.

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Insurance risk can occur at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the net insurance contract liabilities (assets). The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

Every year, the appointed actuary of Industrial Alliance Insurance and Financial Services Inc., a subsidiary of the Company, values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Sensitivity Analysis – The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following sensitivity analysis shows the immediate impact on net income and equity, as well as on the contractual service margin, of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

Immediate Sensitivity of Significant Assumptions Used For the Valuation of Insurance Contract Liabilities (Assets) Gross and Net of Reinsurance[1]

	As at December 31,2023			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	—	5	(525)	(580)
Mortality				
Impact of 2% deterioration for insurance products[3]	(35)	(45)	(270)	(65)
Impact of 2% deterioration for annuity products[4]	5	—	(45)	(40)
Morbidity				
Impact of 5% deterioration[5]	(35)	(35)	(90)	(55)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

	As at December 31,2022			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	30	30	(535)	(570)
Mortality				
Impact of 2% deterioration for insurance products[3]	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products[4]	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration[5]	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

For more information on the management of insurance risk, notably on controls and processes to manage insurance risk, refer to Note 14 “Management of Insurance Risk” of the Company’s December 31, 2023 Audited Consolidated Financial Statements.

Market Risk

The Company is exposed to market risk, which is the risk of financial loss due to unexpected changes in the level or volatility of market prices of assets and liabilities. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

The Company has established a Risk Appetite and Tolerance Statement along with investment policies that contain a variety of quantitative measures designed to limit the impact of these risk factors. The statement and policies are reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Investment management policy and investment policy compliance are monitored regularly, and the results are reported to the Board of Directors’ Investment Committee at least quarterly.

[1] These sensitivities are rounded to the nearest 5 million dollars and represent immediate impacts of a change in assumptions. They are also adjusted to reflect the adjustability of products, when applicable.
[2] Assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.
[3] Assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets).
[4] Assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).
[5] Assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active.
[6] Assuming 105% of expected expenses for servicing and maintaining in-force policies.

[†] This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Interest Rate and Credit Spread Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate and credit spread risk is the risk of financial loss associated with fluctuations in interest rates or credit spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates and implied credit spreads on the corresponding liabilities, or if an asset needs to be liquidated in order to replicate the liability cash flows and therefore a loss in market value of the liquidated asset occurs due to rising interest rates or rising credit spreads. This risk depends on the Company's asset allocation, asset/liability positioning, as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees and the policyholder options.

To mitigate these risks, the Company has developed a liability replicating process that considers the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the replicating process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. This replication process then allows the Company to determine and select investment strategies to meet its overall risk-adjusted return objectives within its various risk appetite and tolerance limits.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. Two of the Company's key strategies are described below.

1› **Total Portfolio Management (TPM) Strategy**

This strategy relates to the vast majority of the Company's general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts. It mainly covers liabilities of all maturity types and liability cash flow structures. For this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. Among other things, liability replicating portfolio techniques are used and combined with key rate and credit spread duration replicating limits to mitigate overall risk exposures. The Company has established interest rate risk and credit spread risk limits in its Risk Appetite and Tolerance Statement. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

The Company uses high-quality assets, primarily made up of long-term fixed income securities (government, corporate and private debt) and non-fixed income assets (private equity, investment property, infrastructure, common and preferred shares, market indices, market index options and investment fund units), to optimize the risk and return of this liability category. Derivative financial instruments can also be utilized to improve the portfolio's asset/liability positioning or its risk-adjusted return. The asset allocation aims to achieve an optimal return, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the Risk Appetite and Tolerance Statement and investment policies.

2› **Universal Life Policy Accounts Strategy**

This strategy relates to the pass-through and participating products and to the Company's general fund insurance contract liabilities (assets) linked to Universal Life policy accounts. The returns on these liabilities are determined on the basis of a market or portfolio index. For these liabilities, the replicating process is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly replicate the returns credited to the underlying accounts.

For managed index accounts and managed accounts where the return varies based on a fund or an index, the impact on net income of a change in the stock markets applied to the assets would be negligible, since an equivalent change would be applied to the corresponding liabilities.

Ultimate Discount Rate Risk – The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk – Equity risk represents the risk of changes in the value of investments and other assets due to fluctuations in stock market parameters. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of Universal Life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

In order to ensure sound management of the market exposure, the Company's Risk Appetite and Tolerance Statement and investment policies define quantitative and qualitative limits for the use of non-fixed income assets (public equity, private equity, investment properties and infrastructure). The target asset mix in the form of non-fixed income assets is designed to maximize the Company's risk-adjusted returns.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the Risk Appetite and Tolerance Statement limits and investment policy limits, including a minimum credit rating for the counterparty financial institution.

During the year ended December 31, 2023, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain an exposure to stock markets while limiting potential financial losses. They were also used as part of the dynamic hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Segregated Funds Risk – Segregated funds expose the Company to significant interest rate and credit spread risk, equity risk and, to a lesser extent, to exchange rate risk.

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Some products may also offer a guarantee for partial withdrawals. Due to volatility mainly from interest rates, credit spreads and stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee comes into effect and that it will then have to compensate the investor for the difference in the form of a benefit. In order to get an overview of its exposure to the risk associated with the segregated fund guarantees, the Company monitors the net amount at risk, which is the amount, at a given point in time, by which the guaranteed minimum value exceeds the market value for all contracts in this situation. The net amount at risk does not constitute a payable benefit as such but rather an estimate of the amount at risk. This is because benefits that might have to be paid in the future will depend on various eventualities, including market performance, contract holder longevity and behaviour.

The following table provides information on risk exposure from segregated fund assets under management in the Individual Wealth Management business unit. The risk exposure from segregated fund assets under management in the Group Savings and Retirement business unit do not have a significant impact on the Company's financial statements.

Individual Wealth Management Segregated Fund Assets Under Management

(In millions of dollars)	2023	2022
Assets under management	26,651	23,452
Guaranteed minimum value	21,518	20,695
Value of assets underlying significant guarantees[7]	6,041	6,172
Value of assets underlying minimum guarantees[8]	20,610	17,279

In order to mitigate some of the risk associated with this exposure, the Company has set up a dynamic hedging program. All contracts with significant guarantees are covered under the hedging program. For some of these contracts issued before the hedging program was in place, the Company assumes 10% of the risk for the guarantees at maturity. There is limited risk for guarantees at death and minimum guarantees, so the Company has decided not to include them in its dynamic hedging program.

The dynamic hedging program involves short selling futures contracts on market indices traded on stock exchanges, as well as concluding agreements for forward exchange contracts for currencies traded on stock exchanges, interest rate swaps and internal total-rate-of-return swaps for indices traded on stock exchanges. This program is used to hedge a significant portion of the sensitivity of net income to the performance of the bond and equity funds and to the interest rate fluctuations arising from the segregated fund guarantees. In order for the Company's strategy to adequately cover the risks related to the hedged guarantees, a dynamic rebalancing of the hedging instruments is carried out based on changes in financial market conditions.

Under the dynamic hedging program, the value of the liabilities associated with the guarantees is updated several times per day to reflect differences between expected experience and actual results. In the process of calculating expected experience, the Company uses certain assumptions regarding policyholder longevity and future redemptions. The redemption assumption, however, has certain limitations. The timing and size of the withdrawals and fund transfers cannot be hedged using derivative financial instruments since these are factors decided by the contract holder, and adverse deviation from expected experience can alter the quality of the hedge.

The dynamic hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss on the income statement. The hedging program itself entails certain risks that may limit the program's effectiveness, in particular:

- The program is based on dynamic rebalancing of the derivative hedging instruments. A decrease in the liquidity of these instruments would have an adverse impact on the effectiveness of the program.
- The use of derivative hedging instruments entails a counterparty risk, which is mitigated by the presence of collateral agreements whose net settlement is carried out on a daily basis.
- There may be a favourable or unfavourable variance between the returns realized on the segregated funds and those realized on the hedge positions held to cover the guarantees associated with these funds.

The variations in the economic worth of the liabilities are largely offset by variations in assets held under the hedging program. In the last eight quarters, the quarterly effectiveness of our dynamic hedging program has fluctuated between 88.4% and 96.8% depending on the volatility of the financial markets. In addition, it has had an excellent effectiveness rate of 92.9% since it was implemented in October 2010.

Exchange Rate Risk – Exchange rate risk represents the risk of changes in the value of investments and other assets due to unexpected changes in the level or volatility of currency exchange rates. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) its investments and other assets held or exposed to, denominated in foreign currency; 2) revenues and expenses denominated in foreign currency; and 3) insurance contract liabilities denominated in foreign currency.

The Company has adopted a policy to avoid exposing itself to material exchange rate risk. To this end, liabilities are generally replicated with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure.

[7] Represents the value of assets underlying guarantees at maturity with a significant level of risk, or withdrawal guarantees.

[8] Represents the value of assets for which the risk of the guarantees is limited and which the Company has decided not to include in the dynamic hedging program.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

To protect itself against exchange rate risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to net investment in foreign operations that has a different functional currency from the Company's functional currency. Disclosure on hedge accounting is presented in Note 9 "Derivative Financial Instruments" of the Company's audited consolidated financial statements. Residual exchange rate risk does not have a significant impact on the Company's financial statements and can be assessed in the Consolidated Comprehensive Income Statements.

Market Risk Immediate Sensitivities

Caution Regarding Immediate Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Sensitivities include the impact of rebalancing equity and interest rate hedges as expected with the Company's dynamic hedging program used for guarantees on segregated funds. They exclude any subsequent actions on the Company's investment portfolio.

For solvency ratio sensitivities, it is assumed that no scenario switch occurs when estimating the impact on the interest rate risk under CARLI (CARLI interest rate risk is assessed under four different interest rate scenarios, and the scenario leading to the highest capital requirement is chosen as the worst scenario for each geographic region).

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one change occurs: change in business mix, change in actuarial and investment assumptions, change in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Immediate sensitivities refer to the instantaneous effects on asset and liability values, ignoring any effects on future revenues and expenses. They should be used with caution to estimate financial impacts from market variations for a quarter. Immediate sensitivities assume an immediate market variation followed by a normally expected market evolution for the rest of the quarter. In other words, immediate sensitivities could be roughly interpreted as the difference between an actual market variation for a quarter versus the expectation for that quarter. For example, for public equity markets where growth is normally expected, flat market values for a quarter would be equivalent to an immediate decline in market values.

Interest Rate and Credit Spread Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis.

Immediate Impact of an Immediate Parallel Shift of Interest Rates

	As at December 31, 2023		As at December 31, 2022[9]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[10]	—	(25)	50	(75)
Equity[10,11]	(50)	25	50	(50)
Contractual service margin[10,12]	(25)	25	(25)	25
Solvency ratio[13]	(1.5%)	1%	(1%)[14]	0.5%[14]

Immediate Impact of an Immediate Parallel Shift of Corporate Bond Credit Spreads

	As at December 31, 2023		As at December 31, 2022[9]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[10]	—	(25)	—	(25)
Equity[10,11]	(75)	50	—	(25)
Contractual service margin[10,12]	—	—	—	—
Solvency ratio[13]	(1.5%)	1.5%	(1.5%)[14]	1.5%[14]

[9] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.

[10] These sensitivities are rounded to the nearest 25 million dollars.

[11] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.

[12] The impact on contractual service margin is before tax.

[13] These sensitivities are rounded to the nearest 0.5 percentage point.

[14] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Immediate Impact of an Immediate Parallel Shift of Provincial Government Bond Credit Spreads

	As at December 31, 2023		As at December 31, 2022[15]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[16]	(25)	25	(25)	—
Equity[16,17]	—	—	(25)	—
Contractual service margin[16,18]	(100)	75	(100)	75
Solvency ratio[19]	0.5%	(0.5%)	0.5%[20]	(0.5%)[20]

Ultimate Discount Rate Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged.

Immediate Impact of an Immediate Change in Ultimate Discount Rate Assumption Used For the Valuation of Insurance Contract Liabilities (Assets)

	As at December 31, 2023		As at December 31, 2022[15]	
(In millions of dollars, unless otherwise indicated)	10 basis point decrease	10 basis point increase	10 basis point decrease	10 basis point increase
Net income[21]	(50)	50	(50)	60
Equity[21]	(50)	50	(50)	60
Contractual service margin[18,21]	—	—	—	—

Public Equity Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis.

Immediate Impact of an Immediate Change in Public Equity Market Values[22]

	As at December 31, 2023			
(In millions of dollars, unless otherwise indicated)	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(150)	(75)	100	200
Equity[16,17]	(225)	(100)	125	275
Contractual service margin[16,18]	(500)	(200)	175	450
Solvency ratio[19]	1%	0.5%	(1%)	(2%)

	As at December 31, 2022[15]			
(In millions of dollars, unless otherwise indicated)	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(75)	(25)	25	75
Equity[16,17]	(75)	(25)	25	75
Contractual service margin[16,18]	(425)	(175)	200	500
Solvency ratio[19]	0.5%[20]	0.5%[20]	(0.5%)[20]	(1%)[20]

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the year, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

[15] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
[16] These sensitivities are rounded to the nearest 25 million dollars.
[17] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[18] The impact on contractual service margin is before tax.
[19] These sensitivities are rounded to the nearest 0.5 percentage point.
[20] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.
[21] These sensitivities are rounded to the nearest 10 million dollars.
[22] Preferred shares are excluded from the scope of these sensitivities' analysis.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Private Non-Fixed Income Asset Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure.

Immediate Impact of an Immediate Change in Private Non-Fixed Income Assets' Market Values (Private Equity, Investment Property and Infrastructure)

	As at December 31, 2023		As at December 31, 2022[23]	
(In millions of dollars, unless otherwise indicated)	10% decrease	10% increase	10% decrease	10% increase
Net income[24]	(275)	275	(300)	300
Equity[24,25]	(300)	300	(300)	300
Contractual service margin[24,26]	—	—	—	—
Solvency ratio[27]	(1.5%)	1.5%	(1.5%)[28]	1.5%[28]

Market Risk Core Earnings Sensitivities

Caution Regarding Core Earnings Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Also, they exclude any subsequent actions on the Company's investment portfolio.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one change occurs: change in business mix, change in actuarial and investment assumptions, change in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Market Risk Core Earnings Sensitivities – An analysis of the Company's sensitivity to an immediate change in various factors is presented below. Each sensitivity assumes that all other assumptions and factors remain unchanged.

Impacts estimated below are mainly attributable to the following revenues and expenses that are directly impacted by the level of market indicators:

- expected return on non-fixed income asset investments;
- CSM recognition in earnings for segregated fund products;
- net revenues on assets under management (mutual funds) and on assets under administration (wealth management distribution affiliates); and
- expected return on fixed income assets and on expected liability finance expense.

Impacts of Future Quarter Core Earnings as at December 31, 2023

Risk factors	Description of shock	Impact on future core earnings (in millions of dollars, after tax)
Public equity[29]	Immediate +5% change in market values	4
	Immediate -5% change in market values	(5)
Private non-fixed income assets (private equity, investment property and infrastructure)	Immediate +5% change in market values	3
	Immediate -5% change in market values	(3)
Interest rates	Immediate parallel shift of +10 bps on all rates	2
	Immediate parallel shift of -10 bps on all rates	(2)
Credit and swap spreads[30]	Immediate parallel shift of +10 bps on all rates	2
	Immediate parallel shift of -10 bps on all rates	(2)

[23] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.

[24] These sensitivities are rounded to the nearest 25 million dollars.

[25] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.

[26] The impact on contractual service margin is before tax.

[27] These sensitivities are rounded to the nearest 0.5 percentage point.

[28] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

[29] Preferred shares are excluded from the scope of this sensitivity analysis.

[30] Credit spreads include corporate bond credit spreads and provincial government bond credit spreads.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

These impacts represent impacts on core earnings for the next quarter. Impacts on the level of core earnings will be similar for future quarters if future equity market returns are as expected and if interest rates are stable. Moreover, core earnings for the current quarter would also be impacted by market movements during the current quarter, but only for these two effects: effect on CSM recognition in earnings for segregated fund products and effect on net revenues on assets under management (mutual funds) and on assets under administration (wealth distribution affiliates).

These core earnings sensitivities should be used with caution to estimate impacts of market movements as they do not reflect diversification between these risk factors, potential future management actions and investment portfolio re-optimization.

Credit Risk

Credit risk represents the risk of financial loss due to a borrower's or a counterparty's failure to repay its obligation when due. This risk originates mainly from credit granted in the form of loans and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share the Company's policyholder commitments.

The Company uses derivative financial instruments under its investment policies, including swaps, futures and options contracts. Some of these contracts are used to replicate assets and liabilities and to manage financial risk. They are primarily used to mitigate credit risk, as well as risks associated with fluctuations in interest rates, exchange rates and stock markets.

The derivative financial instruments used expose the Company to credit risk due to the presence of counterparties involved. As indicated earlier, the counterparties for derivative financial instruments must meet certain well-defined criteria, and collateral exchange agreements to offset daily variation margins have been reached with these institutions in accordance with industry norms and standards, in order to minimize and control the credit risk.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. More information about concentration risk is presented in Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts" of the audited consolidated financial statements as at December 31, 2023.

The Company's investment policies aim to mitigate concentration risk by promoting the sound diversification of investments, limiting exposure to any one issuer and seeking a relatively high quality of issuers. Portfolio construction criteria also include limits by groups of related issuers, by activity sector and by geographic region. These limits depend on the credit quality of the issuers.

The Company also has a risk management policy and a credit risk policy that stipulate the management of impaired loans and the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The policies and procedures in place establish certain selection criteria and define the credit authorization limits based on the scope and degree of risk. In order to manage the credit risk associated with these investments, the Company may require collateral, particularly for loans, real estate or commercial mortgages.

Lastly, although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit risk associated with the amounts ceded to reinsurers. This risk category includes residual insurance risk, legal risk, counterparty risk and liquidity risk resulting from reinsurance operations. To limit this risk, the Company applies the processes and criteria prescribed in its reinsurance risk management policy, such as conducting due diligence on the selected reinsurers, limiting the concentration of risks and carrying out sensitivity testing. The Company's reinsurance agreements are diversified such that the Company is not dependent on a single reinsurer and the Company's operations are not substantially dependant upon any single reinsurance contract.

Liquidity Risk

Liquidity risk represents the risk of not being able to release its investments and other assets in a timely manner to meet its financial obligations, including collateral requirements, as they come due. The Company is exposed to this risk mainly through: 1) benefits payable under the insurance contracts in force or through its wealth management activities; 2) cash outflows needed for the acquisition or during the holding period of its investments; 3) the amounts of collateral to be paid to its counterparties in respect of its derivatives contracts; and 4) other corporate needs related to the Company's capital structure or its strategic and business objectives. The non-availability (total or partial) of liquidity sources is also a component of this risk.

The Company has established a liquidity risk management policy that contains multiple metrics, time horizons, and concentration measures, to ensure sound and prudent management of its liquidity risk, and to monitor its liquidity position under different market conditions. In order to maintain an appropriate level of liquidity, the Company ensures that it holds a good proportion of its assets in highly liquid securities. In addition, a number of scenarios are analyzed to ensure that the Company will be able to meet its commitments in various extreme situations. The policy is reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Compliance with the policy is monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

The risk associated with benefits payable under insurance contracts is managed through replicating assets with financial liabilities as well as strict cash flow management.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The use of derivatives requires that securities be sent as collateral to clearing houses and derivative counterparties in order to mitigate the credit risk. Simulations are carried out to measure the liquidity needs that could arise due to interest rate and stock market turmoil in order to assess the liquidity that needs to be maintained to meet those requirements.

Given the quality of its investment portfolio, and despite financial market volatility, the Company believes its current liquidity level to be adequate.

Strategic Risk

Strategic risk is the risk that internal or external decisions or events prevent the Company from achieving its business plan and its strategic initiatives including merger, acquisition, and divestiture decisions, and thus hinder the achievement of its strategic objectives. Strategic risk can therefore arise from the inability to fulfill mandate and achieve strategic objectives, or from failure in the execution of strategic initiatives.

Risk Associated with the Business Environment – Several business units operate in highly competitive sectors. There is a risk that competitive pressures or changes in client needs and spending habits could lead to increased pressure on the business model and have an adverse effect on the Company's results if it doesn't adapt accordingly.

Risk Associated with the Economic Environment – Changes in the economic environment, like increased credit risk or a deterioration in financial market conditions that lead to increased volatility, could increase pressure on the business model or adversely affect the Company's profitability, financial strength, and access to capital.

Risk Associated with the Legal or Regulatory Environment – Financial institutions are subject to a vast number of laws and regulations. As a result, legislative and regulatory changes could increase the amount of time and resources needed to ensure ongoing compliance. The Company is also exposed to risk related to changes in accounting and actuarial standards.

Risk Associated with the Political and Social Environment – Political events or decisions could have an adverse impact on the relevance of the Company's products or its profitability.

Risk Associated with the Technological Environment – Not adapting well to changes in the technological environment could impact the integrity of the Company's information systems and technology infrastructure or generally disrupt its business plan.

Risk Related to Climate Change – Climate-related risks could have adverse impacts on all risk categories of the taxonomy by increasing the frequency and cost of claims, causing property damage or critical business interruption, creating exposure to litigation or legal dispute, or deteriorating the quality or value of the investment portfolio. The Company has incorporated climate risks in its Risk Appetite and Tolerance Statement and has updated its entity-wide Climate Change Materiality Assessment. It has also formalized its climate-related risk management framework in its climate risk management corporate policy, which provides for a better alignment of the impact and likelihood criteria with iA Financial Corporation's integrated risk assessment methodology to ensure that climate-related risks are assessed consistently and proportionately relative to other risks. In addition to being signatory of the United Nations-supported Principles for Responsible Investment (PRI), the Company, through its subsidiary iA Investment Management Inc., has updated its Sustainable Investment Policy, which includes a section on climate change and commitments to integrate climate change into the investment process. More information on the climate-related risk management and governance framework is available in the Sustainability Report and the TCFD Report.

By its nature, strategic risk is impacted by both external factors related to the impact of unanticipated external events on the Company, and internal factors related to poor handling of external impacts or poor execution of the business plan. All segments of the Company keep informed and monitor changes in the competitive, economic, technological, legal, or regulatory environment, in order to anticipate potential impacts on their activities and to consider potential responses should these changes occur. Strategic risk management also consists in identifying the risks of strategic activities upstream of their execution; assessing their potential impact on the risk limits defined in the Risk Appetite and Tolerance Statement, particularly on the internal target ratio and the target operating level of the solvency ratio; continuously monitoring strategic risks, as identified in the risk taxonomy, for activities of a strategic nature to measure their evolution; and disclosing this risk assessment to senior management and appropriate governance bodies on a periodic basis.

In addition to continuous monitoring, senior management reassesses current and emerging strategic risks annually or more frequently, at their discretion and according to the circumstances. During the segments' strategic planning exercises carried out across the organization, these risks are analyzed to determine their impact on the Company's strategy and, conversely, to identify whether additional strategies are needed to manage or mitigate the risks.

During the 2023 review of strategic and emerging risks, the following identified risks were confirmed and the strategies in place for managing them were renewed.

Data Security and Cyber Risks – The risk of cyberattacks and/or external fraud has always been a high priority, but with hackers sponsored by governments and the fast evolution and availability of artificial intelligence enabling more sophisticated and effective cyberattacks, the Company must continuously reinforce its policies and controls as well as conduct regular testing on its information and technology systems. The Company pays particular attention to the risk of data theft and other cyber risks by continuously strengthening its cybersecurity risk management framework (see the description of this mechanism in the "Operational Risk" section).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern, including interest rate hikes by central banks to fight inflation. The war in Ukraine, the Hamas-Israel conflict and tension in China are also causing instability in global markets. These events, among others, could lead to reduced consumer and investor confidence, significant financial volatility and more limited growth opportunities, as well as testing the Company's ability to anticipate and mitigate headwinds in its markets.

Operational efficiency in a context of fast-paced technological innovation – The speed of disruptive innovations in the market, enabled by fast-moving emerging technologies, may outpace our ability to adapt and compete appropriately. Difficulties in effectively integrating acquisitions, growing revenues, and realizing anticipated synergies, particularly in highly competitive, regulated and mature markets, may also impact operating costs and/or affect the ability to execute a focused, well-thought-out and integrated corporate strategy and prioritize initiatives that bring the most value to the organization. The Company invests significantly in technological upgrades, particularly regarding the protection and management of its data and personal information. Operational efficiency, ensuring that revenues grow faster than expenses, also guides the Company's strategic orientations.

Operational Risk

Operational risk is the risk of loss arising from deficiencies or errors attributable to processes, people, systems or external events.

This risk is present in all the Company's activities and is organized around the following risk categories: financial reporting, human resources, physical security, fraud, technology, data and information security, processing, third parties, business continuity and model. The impact of one of these risks occurring can take the form of financial losses from regulatory fines and penalties, legal costs, missed financial gains, or additional expenses, for example, as well as commercial relationship or reputational damage, diversion of resources or additional regulatory scrutiny.

To manage operational risk, the Company emphasizes proactive management practices by ensuring that appropriate and effective internal controls are in place and by utilizing competent, well-trained employees at all levels. The Company also makes it a priority to revise its policies and develop stricter standards, when appropriate, to account for changes in its operations and environment.

In addition, through its enterprise and operational risk management frameworks, the Company makes all managers accountable by asking them to confirm their segment's compliance with procedures, describe the processes in place for ensuring this compliance, and confirm that policies and procedures are up to date. The risks that could arise are also assessed and quantified, as well as the steps taken to manage the most material risks.

In addition to mitigation measures carried out by Risk Management on all processes and procedures, a continuity plan involving a predefined crisis team reduces this residual risk.

Financial Reporting – This risk refers to the risk of not preparing internal and external financial reports that fully and accurately reflect financial results. The Company maintains an ongoing control evaluation program in order to issue the certification required by the regulatory authorities with respect to the financial information presented in the Company's annual and interim filings (certification under Multilateral Instrument 52-109). Under this program, the managers of each business segment evaluate and test the controls in their sector, following which a designated team verifies the quality of the controls and the conclusion of the managers' evaluation. A summary report is submitted annually to the Audit Committee, which then reports the results of the evaluation to the Board of Directors. The certification of the financial information presented in the annual and interim filings is submitted quarterly in the prescribed format. This certification is available on SEDAR+ and on the Company's website.

Human Resources – Human resources are an essential component in the realization of the Company's strategic plan and the implementation of business and operational risk management strategies. Human resources risk is the risk of loss resulting from a shortage of competent, motivated, and engaged resources (due to capacity, employment practices and the working environment, respectively), in the short to medium term, to carry out the operational activities needed to support the organization's growth. In this regard, the Company follows best practices and has a code of business conduct in addition to well-defined policies and procedures with respect to compensation, recruitment, training, employment equity, diversity and occupational health and safety. These policies are continually kept up to date in order to attract and retain the best candidates at every level of the Company. The Company shows its concern for its employees' quality of life by offering programs that promote a healthy lifestyle and adopting various measures designed to improve the work environment.

Physical Security – Physical security risk is the risk of failure in the protection and physical security of goods and people (employees, customers, or others) when they are in or around the Company's premises or during the Company's activities. iA Financial Group has several measures in place in corporate buildings to reduce exposure to this risk, such as video surveillance, motion detection, alarms, and electronic access control systems, as well as sensors to detect fire, water, humidity, and heat.

Fraud – Fraud risk is the risk of dishonest conduct resulting in the Company suffering financial loss, disposing of property, or providing a service as a result of deception, deceit, breach of trust or similar fraudulent means. Benefits may be in the form of cash, cash equivalents, or physical assets. To mitigate this risk, the Company has implemented a corporate policy promoting a culture of integrity. The Company also has a monitoring program as well as a segregation of duties process that aims to prevent and detect fraud situations within the Company.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Technology, Data and Information Security – Reliable information and communications technologies, protection of information and sophisticated data are essential for the successful execution of the business process, and the Company places special emphasis on this aspect. It has a comprehensive plan in place for reducing and controlling the risk of technology, data or information security failure based on best practices and recognized IT, protection of information and data management standards. The management of these risks is reviewed at regular intervals in order to adapt to changing technologies, regulations and Company needs.

Changing business needs in the insurance and financial services industry are accelerating the use of online applications, mobile technologies and cloud computing. Along with this acceleration comes an increase in risks related to information security and cyber threats as it is difficult to develop and implement effective preventive measures to keep up with industry attacks. Cybercrime techniques are sophisticated and continually evolving, and they come from an increasing number of sources: viruses, malware, denial of service, phishing, ransomware, exfiltration, etc.

Potential consequences range from service interruptions to unauthorized access to sensitive data or unauthorized use of data to theft of assets or intellectual property. These can lead to reputation damage, lawsuits and other repercussions.

To mitigate information security and cybersecurity risks, the Company has in place an information security authority framework outlining roles and responsibilities with respect to information security. The normative framework, a reference model aligned with industry best practices, and technology resources and services for identifying, preventing, detecting and eliminating threats against its assets and operations, are overseen by the Chief Information Security Officer as well as by the Chief Information Officer and the Chief Data Officer. These measures are continuously complemented by information security awareness campaigns and training for all Company employees.

In order to mitigate technology risks, the Chief Information Officer aligns its priorities with those of information security and data in terms of risk management to ensure consistency.

Processing – Processing risk is the risk of error, omission, or failure when processing a transaction. This risk is linked to the day-to-day processing of transactions and is mitigated by various measures such as employee training on their activities, peer validation and quality control. In addition, the implementation of key performance indicators enables the Company to monitor compliance with processing deadlines.

Third-Party – Third-party risk is the risk of third parties failing to provide goods, business activities or services and therefore exposing the Company to multiple negative outcomes. The third-party risk scenarios may include insolvency, operational disruption of the third party, geopolitical tensions, breaches or loss of data or corruption. A framework will formalize and standardize the different ways the risk is currently being managed at the Company by the sectors with the help of key internal stakeholders.

Business Continuity – This risk refers to the inability to maintain critical activities, through inaccessibility to the workplace, unavailability of systems, applications or connectivity, loss of critical third-party providers, or interruption of processes and services. The Company's business continuity management program covers all the potential risks the Company may be exposed to through a consequence-based approach and is adapted to the hybrid operating model that combines remote with onsite work. The Company has implemented business continuity plans throughout its business units to ensure continued service delivery at acceptable predefined levels following events that may disrupt their activities. Business continuity plans and the related procedures are reviewed and tested on a regular basis.

With respect to incidents and crisis management, a structure and processes are in place within the Company to ensure that events that could disrupt its activities are quickly identified and managed. Depending on the significance of these events, a multidisciplinary, management-level committee oversees the response and ensures consistency throughout the Company.

Model – The Company is exposed to model risk, which is the risk of inappropriate design, implementation and/or use of a model. While the use of data and models generates value for the Company and offers significant opportunities for the future based on business and artificial intelligence, it also introduces the risk that a loss might occur or inappropriate decisions might be made due to modelling deficiencies or limitations, improper implementation or utilization, inaccurate or inappropriate data, or incorrect assumptions. To reduce this risk, a model design guide is available to the different segments of the Company. This guide is intended to help model owners identify model risk and to standardize the approach across the Company.

Legal, Regulatory and Reputational Risk

The Company is regulated by the provinces and territories of Canada and by the various states in the U.S. where it conducts business. It is also supervised by various regulatory bodies and must ensure compliance with laws and regulations in all jurisdictions in which it operates.

Regulatory non-compliance risk arises from the possibility of the Company failing to comply with applicable regulatory requirements in the jurisdictions where it operates.

The Company has adopted a Regulatory Risk Management Policy that is used as the basis for a regulatory risk management program. The Chief Compliance Officer is responsible for coordinating the program within the Company and ensuring that it is implemented and enforced in all business segments. Specific policies have also been adopted to address specific regulatory risks such as anti-money laundering or privacy in order to provide tailored governance and monitoring.

To ensure the sound management of regulatory non-compliance risk, the Company uses a methodology that focuses on identifying, assessing and quantifying risk and putting effective, efficient and appropriate controls in place in its day-to-day activities. The Company's assessment of regulatory non-compliance risk includes the potential impacts on its operations and reputation, among other things.

The Company monitors new regulatory risks and communicates them to the appropriate business units to ensure that any controls required to comply with new laws or guidelines are put in place in a timely manner. More generally, the Company emphasizes ongoing communication to remind employees of the importance of legal and regulatory compliance issues.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Reputational Risk – The Company is also exposed to reputation risk. This risk is defined as the risk that events, decisions by a regulatory authority or public perception will have a negative impact on the public's perception of the Company and potentially lead to fewer clients, lost revenues or considerable litigation costs.

The Company has adopted a detailed communication plan designed to protect its corporate image during a crisis and to reassure the public about its ability to manage this kind of situation. The plan outlines the communication strategies to use in a crisis in order to notify the public of its causes and consequences, the procedures in place to resolve it and the measures taken to reduce the risk of recurrence. In addition, the Company continually monitors social media for elements that could have a negative impact on the Company.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

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Responsibility for Financial Reporting

The Consolidated Financial Statements of **iA Financial Corporation Inc.**, which have been approved by the Board of Directors, were prepared by Management in accordance with International Financial Reporting Standards and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the material accounting policies utilized are appropriate in the circumstances and are adequate to reflect the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in the Annual Report is consistent with the information contained in the consolidated financial statements.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept. These internal control systems provide for communication of professional conduct rules and principles, using the Code of Business Conduct prepared by the Company for all organizational members. These internal control systems are reinforced by the work of a team of internal auditors, who make a periodic review of all material departments within the Company.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, ensures that Management assumes its responsibility in terms of consolidated financial statements.

The functions of the Audit Committee are to:

- Review the consolidated financial statements and recommend them for approval by the Board of Directors;
- Review the internal control systems and security;
- Recommend the appointment of the internal auditor as well as the appointment and fee arrangements of the independent auditor to the Board of Directors;
- Review other accounting, financial and security matters as required.

The Audit Committee meets regularly with Management, the internal auditor and the independent auditor. The latter may, as it sees fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The Appointed Actuary of Industrial Alliance Insurance and Financial Services Inc., a subsidiary of the Company, is appointed by the Board of Directors of this subsidiary, pursuant to the *Insurers Act* (Quebec), and is responsible of the valuation of the policy liabilities of Industrial Alliance Insurance and Financial Services Inc. for its Consolidated Financial Statements prepared in accordance with International Financing Reporting Standards. The Appointed Actuary is required to express an opinion regarding the appropriateness of the amount of the policy liabilities, the conformity of their valuation to accepted actuarial practice in Canada and the fairness of their presentation in the Consolidated Financial Statements.

The independent auditor is appointed to report to the shareholders regarding the fairness of presentation of the Company's Consolidated Financial Statements. The independent auditor fulfills this responsibility by carrying out an independent audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Autorité des marchés financiers (AMF) has the power to perform checks to ensure, when applicable, the respect of the *Insurers Act*, the preservation of the interests of the policyholders and the pursuit of sound capitalization and good solvency.

On behalf of Management,

Denis Ricard
President and Chief Executive Officer
Quebec City, February 20, 2024

Éric Jobin
Executive Vice-President, CFO and Chief Actuary
Quebec City, February 20, 2024

Independent Auditor's Report

To the Shareholders of
iA Financial Corporation Inc.

Opinion

We have audited the consolidated financial statements of **iA Financial Corporation Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and as at January 1, 2022, and the consolidated income statements, consolidated comprehensive income statements, consolidated equity statements and consolidated cash flows statements for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and as at January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 15 to the Financial Statements

Key Audit Matter Description

The Company's insurance contract liabilities represent a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17. This requires the use of complex valuation models and assumptions to measure groups of contracts as the total of fulfillment cash flows, plus a risk adjustment for non-financial risk and a contractual service margin ("CSM"). The CSM component is only relevant for groups of insurance contracts measured using the general measurement model and the variable fee approach.

While there is considerable judgment applied by management and inherent uncertainty in selecting assumptions, the assumptions with the greatest estimation uncertainty are related to mortality, policyholder behaviour and discount rates. These assumptions required significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future and (iii) the determination of discount rates requires complex calculation and measurement of unobservable market inputs. Auditing of certain valuation models and significant assumptions (mortality, policyholder behaviour and discount rate) required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial and fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to certain valuation models and significant assumptions included the following, among others:

- With the assistance of actuarial and fair value specialists, tested the appropriateness of certain valuation models used in the valuation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate;
  - Testing the accuracy of certain valuation models for changes in key assumptions.
- With the assistance of actuarial specialists, tested the reasonableness of mortality and policyholder behaviour assumptions by:
  - Evaluating whether management's assumptions were determined in accordance with the requirements of IFRS 17;
  - Testing experience studies and other inputs used in the determination of the assumptions;
  - Analyzing management's interpretation and judgment of its experience study results and emerging claims experience, evaluating triggers and drivers for revisions of assumptions, assessing reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking, where applicable.
- With the assistance of actuarial and fair value specialists, evaluated the reasonableness of the discount rates used by:
  - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17;
  - Testing the inputs and source information underlying the determination of the discount rates and as applicable for certain components of the discount rates, developing a range of independent estimates and comparing those to the values selected by management.

Adoption of New and Amended Accounting Standards – IFRS 17* Insurance Contracts *– Refer to Notes 3 and 4 to the Financial Statements

Key Audit Matter Description

The Company adopted IFRS 17 effective January 1, 2023. The adoption of IFRS 17 was done on a retrospective basis which had an impact on the Company's January 1, 2022 opening equity balances. IFRS 17 is a complex accounting standard requiring considerable judgment and interpretation in its implementation, and impacts how the Company recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, the Company used significant judgment in developing and implementing accounting policies, including policies specific to transition. Of particular importance, the Company elected to use the fair value approach for groups of contracts where full retrospective application was impracticable. Under the fair value approach, the CSM at transition is equal to the fair value of a group of insurance contracts less the fulfillment cash flows measured at that date.

There are many components embedded in the determination of the fair value for groups of insurance contracts that required management to use significant judgment in making estimates and assumptions related to (1) the appropriateness of the fair value methodology and calculations, (2) the appropriateness of the fair value adjustments to fulfilment cash flows and (3) the appropriateness of the discount rates. Auditing of the development and implementation of IFRS 17 accounting policies and the judgments, assumptions and estimates used in fair value determination for groups of contracts required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value, technical accounting and actuarial specialists.

How the Key Audit Matter was Addressed in the Audit

With the assistance of various specialists, our audit procedures related to the development and implementation of IFRS 17 accounting policies and judgments, assumptions and estimates used in the fair value determination for groups of insurance contracts as at January 1, 2022 included the following, among others:

- Evaluated the appropriateness of management's accounting policies and tested that they were appropriately implemented.
- Evaluated the fair value approach methodology and related fair value adjustments against the requirements of IFRS 17 and IFRS 13 *Fair Value Measurement* ("IFRS 13") by:
    - Evaluating the methodologies and fair value adjustments and their applicability under IFRS 17 and IFRS 13;
    - Examining the audited historical projected cashflows and assumptions to ensure they are incorporated into the transition valuation models as applicable;
    - Evaluating new or revised key assumptions under IFRS 17;
    - Testing the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.
- Evaluated the reasonableness of the discount rates used to determine fair value by:
    - Evaluating whether management's assumptions and methodologies were determined in accordance with the requirements of IFRS 17 and IFRS 13;
    - Testing the inputs and source information underlying the determination of the discount rates and as applicable for certain components of the discount rates, developing a range of independent estimates and comparing those to the values selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Sophie Fortin.

Deloitte LLP[1]

Quebec City, Quebec
February 20, 2024

[1] CPA auditor, public accountancy permit No. A124208

Consolidated Income Statements

Years ended December 31 (in millions of Canadian dollars, unless otherwise indicated)	**2023**	2022[1]
Insurance service result		
Insurance revenue (Note 15)	**$ 5,740**	$ 5,138
Insurance service expenses (Note 23)	**(4,893)**	(4,103)
Net income (expenses) from reinsurance contracts (Note 15)	**6**	(271)
	853	764
Net investment result		
Net investment income (Note 6)		
Interest and other investment income	**1,946**	1,864
Change in fair value of investments	**2,037**	(10,135)
	3,983	(8,271)
Finance income (expenses) from insurance contracts (Note 15)	**(3,307)**	8,423
Finance income (expenses) from reinsurance contracts (Note 15)	**155**	(115)
(Increase) decrease in investment contract liabilities and interest on deposits	**(151)**	(36)
	680	1
Investment income (expenses) from segregated funds net assets	**4,697**	(3,897)
Finance income (expenses) related to segregated funds liabilities (Note 15)	**(4,697)**	3,897
	—	—
	680	1
Other revenues	**1,507**	1,537
Other operating expenses (Note 23)	**(1,973)**	(1,896)
Other financing charges (Note 24)	**(66)**	(57)
Income before income taxes	**1,001**	349
Income tax (expense) recovery (Note 25)	**(212)**	(15)
Net income	**789**	334
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments (Note 20)	**(20)**	(25)
Net income attributed to common shareholders	**$ 769**	$ 309
Earnings per common share (in dollars) (Note 27)		
Basic[1]	**$ 7.51**	$ 2.90
Diluted[1]	**7.48**	2.89
Weighted average number of shares outstanding (in millions of units) (Note 27)		
Basic	**102**	106
Diluted	**103**	107
Dividends per common share (in dollars) (Note 19)	**2.97**	2.60

[1] The Consolidated Income Statement and the *Earnings per common share* for the year ended December 31, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Comprehensive Income Statements

Years ended December 31 (in millions of Canadian dollars)	2023	2022[1]
Net income	**$ 789**	$ 334
Other comprehensive income, net of income taxes		
Items that may be reclassified subsequently to net income:		
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	**(78)**	181
Hedges of net investment in foreign operations	**41**	(112)
	(37)	69
Cash flow hedge		
Unrealized gains (losses) on cash flow hedges	**(4)**	—
Items that will not be reclassified subsequently to net income:		
Revaluation surplus related to transfers to investment properties	**3**	22
Remeasurement of post-employment benefits	**76**	(7)
Total other comprehensive income	**38**	84
Comprehensive income attributed to shareholders	**$ 827**	$ 418

Income Taxes Included in Other Comprehensive Income

Years ended December 31 (in millions of Canadian dollars)	2023	2022[1]
Income tax recovery (expense) related to:		
Items that may be reclassified subsequently to net income:		
Hedges of net investment in foreign operations	**$ (8)**	$ 19
Unrealized losses (gains) on cash flow hedges	**1**	—
	(7)	19
Items that will not be reclassified subsequently to net income:		
Revaluation surplus related to transfers to investment properties	**—**	(4)
Remeasurement of post-employment benefits	**(29)**	2
Total income tax recovery (expense) included in other comprehensive income	**$ (36)**	$ 17

[1] The Consolidated Comprehensive Income Statement and the Income Taxes Included in Other Comprehensive Income for the year ended December 31, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Financial Position

(in millions of Canadian dollars)	As at December 31 2023	As at December 31 2022[1]	As at January 1 2022[1]
Assets			
Investments (Note 6)			
Cash and short-term investments	**$ 1,379**	$ 1,358	$ 1,546
Bonds	**29,940**	26,117	33,127
Stocks	**4,069**	4,028	3,877
Loans	**3,660**	3,704	3,870
Derivative financial instruments (Note 9)	**1,787**	990	917
Other invested assets	**172**	563	557
Investment properties	**1,611**	1,804	1,870
	42,618	38,564	45,764
Other assets (Note 10)	**3,157**	2,716	2,812
Insurance contract assets (Note 15)	**167**	215	123
Reinsurance contract assets (Note 15)	**2,312**	2,048	1,890
Fixed assets (Note 11)	**320**	337	369
Deferred income tax assets (Note 25)	**270**	112	111
Intangible assets (Note 12)	**1,847**	1,784	1,708
Goodwill (Note 12)	**1,318**	1,318	1,267
General fund assets	**52,009**	47,094	54,044
Segregated funds net assets (Note 13)	**41,837**	37,334	39,577
Total assets	**$ 93,846**	$ 84,428	$ 93,621
Liabilities			
Insurance contract liabilities (Note 15)	**$ 33,630**	$ 29,685	$ 37,072
Reinsurance contract liabilities (Note 15)	**8**	233	129
Investment contract liabilities and deposits (Note 16)	**6,050**	4,350	4,150
Derivative financial instruments (Note 9)	**787**	1,465	497
Other liabilities (Note 17)	**2,678**	2,372	3,013
Deferred income tax liabilities (Note 25)	**319**	362	526
Debentures (Note 18)	**1,499**	1,500	1,450
General fund liabilities	**44,971**	39,967	46,837
Insurance contract liabilities related to segregated funds (Note 15)	**30,201**	26,901	28,692
Investment contract liabilities related to segregated funds (Note 16)	**11,636**	10,433	10,885
Total liabilities	**$ 86,808**	$ 77,301	$ 86,414
Equity			
Share capital and contributed surplus	**$ 1,620**	$ 1,692	$ 1,723
Preferred shares issued by a subsidiary and other equity instruments (Note 20)	**375**	525	525
Retained earnings and accumulated other comprehensive income	**5,043**	4,910	4,959
	7,038	7,127	7,207
Total liabilities and equity	**$ 93,846**	$ 84,428	$ 93,621

[1] The Consolidated Statements of Financial Position as at December 31, 2022 and as at January 1, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Denis Ricard
President and Chief Executive Officer

Danielle G. Morin
Chair of Audit Committee

Consolidated Equity Statements

Years ended December 31 (in millions of Canadian dollars)

	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary and other equity instruments	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 19)	(Note 20)			(Note 21)	
Balance as at December 31, 2021	$ 48	$ 1,706	$ 525	$ 17	$ 4,963	$ (14)	$ 7,245
Impact of adopting IFRS 17 (Note 4)	(48)	—	—	—	(226)	—	(274)
Impact of adopting IFRS 9 (Note 4)	—	—	—	—	292	(56)	236
Balance as at January 1, 2022[1]	—	1,706	525	17	5,029	(70)	7,207
Net income	—	—	—	—	334	—	334
Other comprehensive income	—	—	—	—	—	84	84
Comprehensive income for the year	—	—	—	—	334	84	418
Equity transactions							
Transfer of post-employment benefits (Note 29)	—	—	—	—	(7)	7	—
Stock option plan (Note 28)	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(3)	—	—	(3)
Issuance of common shares	—	19	—	—	—	—	19
Redemption of common shares	—	(50)	—	—	(163)	—	(213)
Redemption of preferred shares issued by a subsidiary	—	—	(250)	—	—	—	(250)
Issuance of other equity instruments	—	—	250	—	(3)	—	247
Dividends on common shares	—	—	—	—	(277)	—	(277)
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	—	—	—	—	(25)	—	(25)
Other	—	—	—	—	1	—	1
	—	(31)	—	—	(474)	7	(498)
Balance as at December 31, 2022[1]	**—**	**1,675**	**525**	**17**	**4,889**	**21**	**7,127**
Impact of adopting IFRS 9 (Note 4)	**—**	**—**	**—**	**—**	**7**	**—**	**7**
Balance as at January 1, 2023	**—**	**1,675**	**525**	**17**	**4,896**	**21**	**7,134**
Net income	**—**	**—**	**—**	**—**	**789**	**—**	**789**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**38**	**38**
Comprehensive income for the year	**—**	**—**	**—**	**—**	**789**	**38**	**827**
Equity transactions							
Transfer of post-employment benefits (Note 29)	**—**	**—**	**—**	**—**	**76**	**(76)**	**—**
Stock option plan (Note 28)	**—**	**—**	**—**	**3**	**—**	**—**	**3**
Stock options exercised	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**
Issuance of common shares	**—**	**15**	**—**	**—**	**—**	**—**	**15**
Redemption of common shares	**—**	**(87)**	**—**	**—**	**(375)**	**—**	**(462)**
Redemption of preferred shares issued by a subsidiary	**—**	**—**	**(150)**	**—**	**—**	**—**	**(150)**
Dividends on common shares	**—**	**—**	**—**	**—**	**(304)**	**—**	**(304)**
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	**—**	**—**	**—**	**—**	**(20)**	**—**	**(20)**
Other	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**
	—	**(72)**	**(150)**	**—**	**(625)**	**(76)**	**(923)**
Balance as at December 31, 2023	**$ —**	**$ 1,603**	**$ 375**	**$ 17**	**$ 5,060**	**$ (17)**	**$ 7,038**

[1] The Consolidated Equity Statements as at December 31, 2022 and as at January 1, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Consolidated Financial Statements.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flows Statements

Years ended December 31 (in millions of Canadian dollars)	**2023**	2022[1]
Cash flows from operating activities		
Income before income taxes	**$ 1,001**	$ 349
Other financing charges	**66**	57
Income taxes paid, net of refunds	**(293)**	(262)
Operating activities not affecting cash:		
Expenses (income) from insurance contracts	**2,460**	(9,458)
Expenses (income) from reinsurance contracts	**(161)**	386
Expenses (income) from investment contracts and interest on deposits	**151**	36
Unrealized losses (gains) on investments	**(2,022)**	10,141
Provision for credit losses	**68**	62
Other depreciation	**291**	256
Other items not affecting cash	**290**	93
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**25,385**	34,349
Purchases of investments	**(28,288)**	(36,860)
Change in assets/liabilities related to insurance contracts	**1,626**	1,756
Change in assets/liabilities related to reinsurance contracts	**(384)**	(319)
Change in liabilities related to investment contracts and deposits	**1,549**	164
Other items affecting cash	**(397)**	(137)
Net cash from (used in) operating activities	**1,342**	613
Cash flows from investing activities		
Acquisition of businesses, net of cash (Note 5)	**(28)**	—
Sales (purchases) of fixed and intangible assets	**(279)**	(287)
Net cash from (used in) investing activities	**(307)**	(287)
Cash flows from financing activities		
Issuance of common shares	**12**	16
Redemption of common shares (Note 19)	**(462)**	(213)
Redemption of preferred shares issued by a subsidiary (Note 20)	**(150)**	(250)
Issuance of other equity instruments (Note 20)	**—**	246
Issuance of debentures (Note 18)	**398**	298
Redemption of debentures (Note 18)	**(400)**	(250)
Reimbursement of lease liabilities[2]	**(20)**	(20)
Dividends paid on common shares	**(304)**	(277)
Dividends paid on preferred shares issued by a subsidiary and distributions on other equity instruments	**(24)**	(27)
Interest paid on debentures	**(56)**	(44)
Interest paid on lease liabilities	**(3)**	(4)
Net cash from (used in) financing activities	**(1,009)**	(525)
Foreign currency gains (losses) on cash	**(5)**	11
Increase (decrease) in cash and short-term investments	**21**	(188)
Cash and short-term investments at beginning	**1,358**	1,546
Cash and short-term investments at end	**$ 1,379**	$ 1,358
Supplementary information:		
Cash	**$ 840**	$ 820
Short-term investments including cash equivalents	**539**	538
Total cash and short-term investments	**$ 1,379**	$ 1,358

[1] The Consolidated Cash Flows Statement for the year ended December 31, 2022 reflects the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Consolidated Financial Statements.

[2] For the year ended December 31, 2023, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of $16 ($8 for the year ended December 31, 2022) of items not affecting cash, mostly attributable to new liabilities.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Years ended December 31, 2023 and 2022 (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, loans, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

According to International Financial Reporting Standards (IFRS), the Company adopted IFRS 17 and IFRS 9, as mentioned in Note 3 and Note 4. Therefore, the Company has applied new accounting policies for the preparation of these Consolidated Financial Statements (the "Financial Statements"), which are described in Note 2.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on February 20, 2024.

2 › Material Accounting Policy Information

a) Basis of Presentation

The Company's financial statements are established according to International Financial Reporting Standards (IFRS) applicable as at December 31, 2023. The IFRS are published by the International Accounting Standards Board (IASB) and are based on International Financial Reporting Standards, International Accounting Standards (IAS), and on interpretations developed by the IFRS Interpretations Committee (IFRS IC).

The financial statements are presented in millions of Canadian dollars. The Canadian dollar is the Company's functional and reporting currency. The presentation order of the items included in the Statements of Financial Position is based on liquidity. Each line item includes both current and non-current balances, if applicable.

b) Important Estimates, Assumptions and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and complementary information. Management has exercised its judgment, made estimates and established the assumptions described in the notes referred to below:

Determination of control for purposes of consolidation	Note 2, section c) "Basis of Consolidation and Method" Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts", section b) iii) "Other Information on Credit Risk – Interests in Non-Consolidated Structured Entities"
Fair value and impairment of financial instruments and fair value of investment properties	Note 2, section d) "Investments and Net Investment Income" Note 6 "Investments and Net Investment Income" Note 7 "Fair Value of Financial Instruments and Investment Properties" Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts"
Classification and measurement of insurance contracts, reinsurance contracts and financial instruments at transition to IFRS 17 and IFRS 9	Note 4 "Impact of IFRS 17 and IFRS 9 Adoption"
Classification of contracts and measurement of insurance contracts and reinsurance contracts	Note 2, section j) "Insurance Contracts and Reinsurance Contracts" Note 15 "Insurance Contracts and Reinsurance Contracts", section F) "Important Judgments in the Measurement of Insurance Contracts and Reinsurance Contracts"
Intangible assets and goodwill	Note 2, section g) "Intangible Assets" Note 2, section h) "Goodwill" Note 5 "Acquisition of Businesses"
Income taxes	Note 2, section m) "Income Taxes" Note 25 "Income Taxes"
Post-employment benefits	Note 2, section q) "Post-Employment Benefits" Note 29 "Post-Employment Benefits"
Determination of reportable operating segments and allocation methodology in the presentation of segmented information	Note 26 "Segmented Information"

Actual results could differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing circumstances and facts, and changes are recognized in the period in which the revision is made and in future periods affected by this revision. Material accounting policy information, estimates and assumptions are detailed in the following notes when it is meaningful and relevant.

c) Basis of Consolidation and Method

Entities over which the Company exercises control are consolidated. Management makes judgments in determining whether control exists, particularly in determining the extent to which the Company has the ability to exercise its power to generate variable returns. Entities are consolidated from the date control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary and the difference between the acquisition cost of the subsidiary and the fair value of the subsidiary's net identifiable assets acquired is recorded as goodwill. Intercompany balances and revenues and expenses for intercompany transactions are eliminated on consolidation.

The Company uses the equity method to record associated entities over which it has significant influence and joint ventures over which it has joint control. Significant influence is presumed to exist when the Company holds 20% or more of the voting rights in an entity but does not have control over that entity. A joint venture exists when the Company has joint control of a joint arrangement and has rights to the net assets of the arrangement. Joint control is the sharing of control under a contractual agreement and exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company records its share of the entity's net assets and financial results using uniform accounting policies for similar transactions and events.

d) Investments and Net Investment Income

Investments include financial assets such as cash and short-term investments, bonds, stocks, loans, derivative financial instruments, other invested assets and investment properties. At initial recognition, all financial assets are recorded at fair value.

Financial assets are classified into one of the following categories:

- assets at fair value through profit or loss;
- assets at amortized cost using the effective interest method.

Financial assets are classified according to their business model. The business model reflects how the Company manages the assets in order to generate cash flows and achieve business objectives. Judgment is used in determining the business models.

The management and performance assessment of most of the Company's financial instruments are carried out on a fair value basis. Consequently, most of the financial instruments of the Company must be classified at fair value through profit or loss. Four major exceptions are cash, car loans, other loans and accounts receivable, which are managed with the primary objective of holding them in order to collect contractual cash flows, and not selling them. As such, they are classified at amortized cost.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making its assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. If the Company determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, or if the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company applies the trade date accounting method, which is the date on which the Company commits to purchase or sell assets. Transaction costs related to financial assets classified at fair value through profit or loss are recorded in the Income Statement as incurred. Transaction costs related to assets classified at amortized cost are capitalized and amortized in the Income Statement using the effective interest method.

Investments are accounted for using the methods described below.

i) Cash and Short-Term Investments

Cash and short-term investments, including cash equivalents, comprise highly liquid instruments held to meet short-term commitments (less than 1 year). Cash includes cash and payments in transit. Short-term investments and cash equivalents include fixed income securities. Fixed income securities are, for the most part, classified at fair value through profit or loss and are carried at fair value. Other fixed income securities are classified at amortized cost and are carried at amortized cost using the effective interest method.

ii) Bonds

Fair Value Through Profit or Loss

Bonds classified at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

iii) Stocks

Fair Value Through Profit or Loss

Stocks classified at fair value through profit or loss are measured at fair value. Realized and unrealized gains and losses are recognized immediately in *Change in fair value of investments* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the time the Company has the right to receive payment.

iv) Loans

Mortgages

Fair Value Through Profit or Loss

Mortgages classified at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

Securitization of Mortgages

Residential Mortgages

The Company has transferred the risks and rewards related to securitized loans. As part of the securitization of residential mortgages, the asset derecognition criteria are met and, consequently, the Company has derecognized these loans. The liability related to the amounts initially securitized remains recorded in *Other liabilities*. Interest expenses on liabilities are recorded in *Net investment income* in the Income Statement.

Multi-residential and Non-residential Mortgages

As part of the securitization of multi-residential and non-residential mortgages, since the Company retains substantially all risks and rewards related to the transferred mortgages, the asset derecognition criteria are not met. The Company continues to recognize multi-residential and non-residential mortgages in the Statement of Financial Position and a liability related to the amounts securitized is recorded in *Other liabilities*. Interest income on securitized loans continues to be recorded in *Interest and other investment income* in the Income Statement and interest expenses on liabilities are recorded in *Net investment income* in the Income Statement.

Car Loans and Other Loans

Amortized Cost

Car loans and other loans are personal loans. They are classified at amortized cost and are carried at amortized cost using the effective interest method. The carrying amount of the assets is adjusted by any allowance for credit losses. Interest and realized gains or losses on disposition of car loans and other loans are accounted for in *Interest and other investment income* in the Income Statement. The allowance for credit losses is recognized and measured as described in section ix) "Impairment of Financial Assets" of the present note.

v) Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency, interest rates, credit risk and other market risks associated with specific assets and liabilities. Derivative financial instruments are classified at fair value through profit or loss. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in *Change in fair value of investments* in the Income Statement unless the derivative financial instruments are part of a qualified hedging relationship, as described below.

The Company has elected, as permitted under IFRS 9, to continue applying the hedge accounting requirements of IAS 39.

Hedge Accounting

When the Company determines that hedge accounting is appropriate, a hedging relationship is designated and documented from inception. Effectiveness of the hedge is valuated on inception and at the end of each financial reporting period for the duration of the hedge. Hedge accounting, which recognizes the offsetting effects of hedging instruments and hedged items the same way, can only be applied if the relationship is demonstrated to be effective. If it is established that the hedging instrument is no longer an effective hedge, if the hedging instrument is sold or if the expected transaction has ceased to be highly probable, the Company ceases to apply hedge accounting prospectively.

Fair Value Hedging

Changes in fair value of hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Cash Flow Hedging

The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments*. When accumulated gains and losses in *Other comprehensive income* in respect of the hedged item have an impact on results during the period, they are reclassified to the Income Statement, whereas when they affect the Statement of Financial Position, they are reclassified to the Statement of Financial Position.

Net Investment Hedge

The Company uses currency forward contracts as hedging items of foreign exchange risk related to net investments in foreign operations. The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement as *Change in fair value of investments.* Cumulative gains and losses in *Other comprehensive income* are reclassified in the Income Statement in the period in which the net investment in foreign operations is subject to a total or partial disposition.

vi) Other Invested Assets

Other invested assets include the investment in associates and joint ventures, bonds and investment fund units that are restricted investments and notes receivable. Notes receivable are classified at amortized cost and are accounted for at amortized cost using the effective interest method. Investments in associates and joint ventures are accounted for according to the equity method as described in section c) "Basis of Consolidation and Method" of the present note. Bonds and investment fund units that are restricted investments are classified at fair value through profit or loss.

vii) Investment Properties

Investment properties are properties owned by the Company that are not owner-occupied and that are held to earn rental income or capital appreciation. Investment properties are recognized at the transaction price plus transaction costs upon acquisition. These properties are subsequently valued at fair value, except in the case of properties under construction, when the fair value cannot be reliably assessed. These are recorded at unamortized cost until the fair value can be reliably assessed. The fair value excludes the fair value of the linearization of rents, which is recorded in *Other assets*. Changes in fair value are recognized in *Change in fair value of investments* in the Income Statement. Rental income is recognized in the Income Statement linearly according to the term of the lease, and investment properties expenses are recorded in *Net investment income*.

When an own-use property is reclassified to investment properties, the property is revalued at fair value at the transfer date. Any resulting decrease in the carrying amount of a property is recognized in the Income Statement, while any resulting increase in the carrying amount of a property is recognized in *Other comprehensive income.*

viii) Derecognition

A financial asset (or portion of a financial asset) is derecognized when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers to a third party the financial asset and substantially all the risks and rewards of the financial asset. If the Company does not transfer or retain substantially all the risks and rewards of the financial asset and keeps control over the ceded asset, the Company accounts for the part of the asset it kept and recognizes a corresponding liability for the amount payable.

ix) Impairment of Financial Assets

At the end of each reporting period, the Company applies a three-stage impairment model to measure the allowance for credit losses on all financial assets classified at amortized cost. Off-balance sheet items subject to impairment assessment include financial guarantees and loan commitments. The expected credit losses model is forward looking. Measurement of the allowance for credit losses reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. The amount of the allowance for credit losses therefore reflects changes in credit risk since the initial recognition of the financial asset.

Determining the Stage

The expected credit losses model uses a three-stage impairment approach, based on the change in the credit quality of financial assets since initial recognition.

If, at the reporting date, the credit risk of non-impaired financial assets has not increased significantly since initial recognition, these financial assets are classified in Stage 1, and an allowance for credit losses, which is measured at each reporting date at an amount equal to 12-month expected credit losses, is recorded.

When there is a significant increase in credit risk since initial recognition, these non-impaired financial assets are migrated to Stage 2, and an allowance for credit losses, that is measured, at each reporting date, at an amount equal to lifetime expected credit losses, is recorded.

In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risk since initial recognition, in accordance with the expected credit losses model, the financial asset must be reverted to Stage 1.

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off.

The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Financial assets may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and their level of expected credit losses. Financial assets are always classified in the various stages of the impairment model based on the change in credit risk between the initial recognition date of the financial asset and the reporting date, and an analysis of evidence of impairment.

Definition of Default and Credit-Impaired Financial Asset

The definition of default used in the impairment model corresponds to the definition used for internal credit risk management purposes.

Regardless of the above analysis, the Company considers that default occurs when contractual payments on the financial asset are in arrears for more than 90 days, unless the Company has reasonable and justifiable information to demonstrate that a late default criterion is more appropriate.

A financial asset is considered credit-impaired when it is in default, unless the detrimental impact on estimated future cash flows is considered insignificant.

Measurement of the Allowance for Credit Losses

The allowance for credit losses reflects an unbiased amount, based on a probability-weighted present value of cash flow shortfalls, and takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The cash shortfall is the difference between all contractual cash flows owed to the Company and all the cash flows that the Company expects to receive.

The measurement of the allowance for credit losses on a financial asset is estimated at the reporting date and is based on the result of multiplying the three credit risk parameters, namely probability of default, loss given default and exposure at default. The result of this multiplication is then discounted using the effective interest rate. The parameters are estimated using an appropriate segmentation that considers common credit risk characteristics. For financial assets in Stage 1 of the impairment model, credit risk parameters are projected over a maximum horizon of 12 months, while for those in Stage 2 or Stage 3, they are projected over the remaining life of the financial asset. Expected remaining life is the maximum contractual period the Company is exposed to credit risk, including extension options which the borrower has a unilateral right to exercise.

The allowance for credit losses also considers information about future economic conditions. To incorporate forward-looking information relevant to the determination of significant increases in credit risk and the measurement of the allowance for credit losses, the Company uses the econometric models for credit risk projection. These models estimate the impact of macroeconomic variables on the various credit risk parameters. Macroeconomic variables used in the expected credit loss models include gross domestic product, unemployment rate and Bank of Canada overnight rate. The Company uses three scenarios (base, optimistic and pessimistic) to determine the allowance for credit losses and assigns to each scenario a probability of occurrence. Each macroeconomic scenario used in the allowance for credit losses calculation includes a projection of all relevant macroeconomic variables used in depreciation models for a 3-year period. The Company may also make adjustments in some cases to take into account the relevant information that affects the measurement of the allowance for credit losses and that has not been incorporated into the credit risk parameters. Incorporating forward-looking information is based on a set of assumptions and methodologies specific to credit risk and economic projections and therefore requires a high degree of judgment.

For credit-impaired financial assets that are individually material, measuring the allowance for credit losses does not require the use of credit risk parameters, but is based on an extensive review of the borrower’s situation and the realization of collateral held. The measurement represents a probability-weighted present value, calculated using the effective interest rate, of cash flow shortfalls that takes into consideration the impact of various scenarios that may materialize and information about future economic conditions.

Recognition of the Allowance for Credit Losses
At each reporting date, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets and recognizes a loss allowance for such credit losses. When there is an impairment, the Company recognizes and presents the allowance for credit losses as described below, according to the different types of assets and their classification.

The allowance for credit losses for loans measured at amortized cost, such as car loans and other loans, is deducted from the gross carrying amount of the financial assets in the Statement of Financial Position and accounted for in *Net Investment income* in the Income Statement. If the credit risk on the financial asset at the end of the reporting period is low or has not increased significantly since initial recognition, the Company records an allowance for credit losses on this financial asset related to expected credit losses for the next 12 months. Conversely, the Company recognizes expected lifetime credit losses on the financial asset in the event of a significant increase in credit risk since initial recognition.

Write-offs
A financial asset and its related allowance for credit losses is normally written off in whole or in part when the Company considers the probability of recovery to be non-existent and when all guarantees and other remedies available to the Company have been exhausted or if the borrower is bankrupt or winding up and balances owing are not likely to be recovered.

e) Other Assets

The nature of other assets is detailed in Note 10 “Other Assets”.

Except for commitments related to securities purchased under reverse repurchase agreements, financial assets included in *Other assets* are classified at amortized cost and are subject to impairment as described in section d) ix) “Impairment of Financial Assets”. Real estate held for resale (foreclosed properties) is measured at the lower of fair value less cost to sell and the carrying value of the underlying loans at foreclosure date. Funds deposited in trust represent amounts received from clients held in trust.

The Company purchases securities and, simultaneously, agrees to resell them in the short term, at a set price and date. Commitments related to securities purchased under reverse repurchase agreements are recorded at fair value through profit or loss. Interest on reverse repurchase operations is recorded in the Income Statement in *Net investment income*.

The Company is involved in a public-private type service agreement, which must be accounted for in accordance with IFRIC 12 *Service Concession Arrangements*. The concession service to be received increases based on the fair value of operational and maintenance services, recovery costs, administrative costs and financing costs, and decreases through payments received. The concession account receivable, included in *Accounts receivable*, is accounted for at amortized cost using the effective interest rate.

f) Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and are presented by category in Note 11 “Fixed Assets”. Right-of-use assets consist of rental space and other assets arising from leases, recognized at the commencement date of the contract, which is when the leased asset is made available to the Company.

The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life using the following periods:

Own-use property components	10	to	60 years
Right-of-use assets	2	to	30 years
Other	3	to	15 years

g) Intangible Assets
Intangible assets are presented by category in Note 12 "Intangible Assets and Goodwill".

Intangible assets with finite useful life primarily include capitalized software applications, distribution networks and customer relationships. These assets are depreciated linearly over their estimated useful life varying between 4 and 25 years. Useful life is reassessed each year and any depreciation expense is adjusted prospectively, if applicable. Finite life intangible assets are subject to impairment testing if there is evidence of impairment and losses in value are calculated and recorded on an individual basis for each asset.

Intangible assets with indefinite useful life primarily include fund management contracts and distribution networks. These assets are not subject to depreciation and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized in the Income Statement under *Other operating expenses* when the carrying value exceeds the recoverable value. Intangible assets are considered to have indefinite useful lives when, based on analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Company.

h) Goodwill
Goodwill represents the difference between the acquisition cost and the fair value of identifiable assets, assumed liabilities and contingent liabilities of the acquired entities at the acquisition date. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulting from business combinations is presumed to have an indefinite life and is not amortized.

The Company allocates goodwill to a cash-generating unit (CGU) or to a group of CGUs (hereinafter referred to collectively as CGU), which is the smallest group of identifiable assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Goodwill is tested for impairment with respect to the CGU annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. To determine whether there is impairment, the Company compares for each CGU the net carrying value and the recoverable amount. The recoverable amount is the higher of the fair value less costs of sale and the value in use. The value in use of a CGU is the discounted value of expected future cash flows resulting from a CGU. When the assets and liabilities of the CGU have not changed significantly, the recoverable amount substantially exceeds the carrying value of the CGU and impairment is unlikely under current circumstances, the most recent detailed calculation of the recoverable amount of the CGU carried out during a prior period is used in the impairment test for the period considered. Goodwill impairments are recorded as *Other operating expenses* in the Income Statement and cannot be reversed subsequently.

i) Segregated Funds
Funds from group or individual annuities issued by the Company may be invested in segregated portfolios at the option of the policyholders. The underlying assets are registered in the name of the Company and the segregated funds policyholders have no direct access to the specific assets. The policyholders bear the risks and rewards of the funds' investment performance. The Company derives fee income from the management of its segregated funds. These revenues are accounted for in the Income Statement according to the method of accounting for insurance revenue for annuities classified as insurance contracts and as *Other revenues* for annuities classified as investment contracts. Investment income and changes in fair value of the segregated funds net assets are presented in *Investment income (expenses) from segregated funds net assets*. The risks and rewards of the funds' investment performance are presented in the Income Statement as *Finance income (expenses) related to segregated funds liabilities.*

Segregated Funds Net Assets
Segregated funds net assets are accounted for separately from the total general fund assets in the Statement of Financial Position and investments constituting segregated funds net assets are accounted for at fair value. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that the Company has established.

Insurance Contract Liabilities Related to Segregated Funds and *Investment Contract Liabilities Related to Segregated Funds*
Liabilities related to insurance or investment contracts whose financial risk corresponds to the risk assumed by policyholders are presented separately from the total general fund liabilities in the Statement of Financial Position and are accounted for at the same amount as the fair value of the segregated funds net assets. Both types of contracts are presented distinctively depending of their nature. As *Insurance contract liabilities related to segregated funds* arise from insurance contracts with direct participation features, they are measured under the variable fee approach under IFRS 17. The *Investment contract liabilities related to segregated funds* are accounted for at amortized cost under IFRS 9 *Financial Instruments* as they are investment contracts that do not involve any significant insurance risk.

Liabilities related to the segregated funds guarantees granted by the Company are included in *Insurance contract liabilities* in the Statement of Financial Position.

j) Insurance Contracts and Reinsurance Contracts

i) Classification of Contracts
Contracts issued by the Company are classified as insurance contracts, investment contracts or service contracts.

Insurance contracts, including reinsurance acceptances for which the Company accepts insurance risk from other companies, are contracts that contain a significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholders and whose amount and timing are unknown. Insurance contracts are accounted for according to IFRS 17 *Insurance Contracts.*

Investment contracts are contracts that contain a financial risk and which do not include a significant insurance risk. The financial risk represents the risk of a possible future change in one or more of the following items: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. Investment contracts are accounted for according to IFRS 9 *Financial Instruments* and are described in section k) "Investment Contract Liabilities and Deposits" in this note.

Service contracts are contracts that do not contain any significant insurance risk and no financial risk and for which the Company offers administrative services. Service contracts also include the service components of investment contracts. Service contracts are accounted for according to IFRS 15 *Revenue from Contracts with Customers* and are further described in section p) "Other Revenues" in the present note.

Contracts are analyzed to determine whether these arrangements should be accounted for as insurance, investment or service contracts. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless criteria for derecognition are met.

In the normal course of business, the Company uses reinsurance to limit its risk exposure. Reinsurance refers to the transfer of insurance risk, in exchange for a compensation (premium), to one or more reinsurers who share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

All references to insurance contracts include insurance contracts issued and reinsurance acceptances by the Company and all references to reinsurance contracts correspond to reinsurance contracts held to reduce the Company's own risk.

ii) Separating Components from Insurance Contracts and from Reinsurance Contracts

At inception, insurance contracts and reinsurance contracts are analyzed to determine distinct components which are within the scope of another standard. Both derivatives embedded within insurance contracts to be separated and cash flows related to a distinct investment component must be accounted for according to IFRS 9 *Financial Instruments* as if they were stand-alone financial instruments, when applicable. Any promise to provide distinct goods or services other than insurance contract services, such as administration services, is accounted for according to IFRS 15 *Revenue from Contracts with Customers*. All remaining components of the insurance contract are within the scope of IFRS 17 *Insurance Contracts*.

Unseparated embedded derivatives, investment components and goods or services which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are accounted for together with the insurance component. Investment component is defined as an amount required to be repaid to a policyholder in all circumstances, regardless of whether an insured event occurs, such as cash surrender value, universal life policy funds and segregated funds. The Company assesses the existence of any such investment component for all of its contracts at inception.

iii) Level of Aggregation and Recognition

The Company has determined that the appropriate level of aggregation of its insurance contracts into portfolios results in the aggregation of its contracts according to its product lines since they present similar risks and are managed together. The product lines are composed of the main products and services offered by the Company's different operating segments. Every portfolio is divided into groups that can fall into one of three categories: onerous contracts, non-onerous contracts with no significant possibility of becoming onerous and the remaining non-onerous contracts. Groups are in turn divided into annual cohorts, established by the year of issue. The Company has determined that the product lines also represent the right level of aggregation of its reinsurance contracts into portfolios. Groups are split between net gain and net cost and have annual cohorts. The Company generally assigns contracts to the group by set of contracts, rather than on a contract-by-contract basis.

Portfolios determine the level at which contracts are grouped for presentation purposes in the Statement of Financial Position. Insurance contract portfolios which include the liabilities for remaining coverage (LRC) and the liabilities for incurred claims (LIC) for which the total shows an asset are presented separately from those that show a liability. The same split in the presentation is applicable to reinsurance contract portfolios.

The group determines the level at which recognition and measurement are carried out. Group of contracts are established on initial recognition and their composition is not reassessed subsequently. In general, groups of insurance contracts are recognized when issued. In the event that a group of contracts is onerous, it would be recognized as soon as facts and circumstances indicate that the group is onerous. Groups of reinsurance contracts are recognized from the earlier of the beginning of their coverage period and the date an onerous group of underlying insurance contracts is recognized. In the event that insurance contracts and reinsurance contracts are acquired in a transfer of contracts or a business combination, the date of acquisition corresponds to the date of recognition.

iv) Contract Boundaries

All future cash flows within the boundary of each contract in the group have to be considered to measure a group of contracts and they are reassessed at each reporting date.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide insurance contract services to the policyholder. Any renewal option available in the contract at inception is included in the contract boundaries if the Company is obliged to comply with it at the request of the policyholder. A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks and can modify the pricing. Expected premiums or claims outside the contract boundary are not recognized as liabilities or assets, as they relate to future insurance contracts.

Cash flows are within the boundary of a reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks or has a substantive right to terminate the coverage.

v) Measurement

The Company must analyze the terms and conditions of each contract to determine whether or not they meet the conditions of a contract with direct participation features. Most of the Company's insurance contracts are contracts without direct participation features. Some of the Company's insurance contracts are classified as direct participating contracts because, at inception, the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items and the Company has the obligation to pay the policyholder an amount equal to the fair value of the underlying items less a variable fee in exchange for investment services.

The Company uses the general measurement model (GMM) to measure the majority of its insurance contracts without direct participation features and its reinsurance contracts. For direct participating insurance contracts, such as segregated funds included in annuity contracts and participating life insurance products, the Company uses the variable fee approach (VFA). As they have similarities, these two methods are usually described together and the term frequently used is "insurance contracts not measured under the PAA".

The Company has chosen to apply the simplified approach called the premium allocation approach (PAA) for certain insurance contracts and reinsurance contracts. Thus, the Company applies the PAA for contracts whose coverage period at inception is one year or less, and for contracts longer than one year for which the measurement of the LRC does not differ materially from the measurement that would be determined by applying the GMM. Auto and home, extended warranties in the United States and special markets products are principally the ones using the PAA.

The Company has chosen to assess the accounting estimates entering into the measurement of insurance contracts and reinsurance contracts on a quarter-to-quarter basis instead of on a year-to-date basis, which means that the accounting estimates made in previous interim financial statements will not be changed. This choice applies to all groups of insurance contracts and reinsurance contracts.

i. Insurance Contracts Not Measured Under the PAA

Initial Measurement

On initial recognition, the measure of a group of insurance contracts not measured under the PAA corresponds to the total of the fulfilment cash flows and the contractual service margin.

Fulfilment Cash Flows

The fulfilment cash flows comprise estimates of future cash flows that the Company expects to fulfil insurance contracts, an adjustment to reflect the time value of money and the financial risk related to those cash flows, plus a risk adjustment for non-financial risk.

The estimates of future cash flows include all cash flows that are within the contract boundary including but not limited to premiums, claims and other insurance service expenses, surrender value options, policy loans which correspond to the unpaid capital balance that are fully secured by the cash surrender value on the insurance contracts on which the respective loans are made, and an allocation of insurance acquisition cash flows. Insurance acquisition cash flows, which consist of the costs of selling, underwriting and starting a group of insurance contracts, are directly included in the initial measurement of the group within the fulfilment cash flows.

The discount rate adjusting the estimates of future cash flows to reflect time value of money and the financial risk related to those cash flows must be consistent with the readily available quoted price in active markets and reflect the characteristics of the cash flows and liquidity of the insurance contracts.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Contractual Service Margin

The contractual service margin (CSM) is a component of the liability of the group of insurance contracts which represents an unearned profit the Company will recognize as it provides insurance contract services in the future. On initial recognition of a group of insurance contracts, the CSM is measured as the excess, if any, of the expected present value of cash inflows over cash outflows within the boundary of the contract after adding the risk adjustment for non-financial risk. If the total is a net inflow, the group is non-onerous and no income or expenses arise from the initial recognition of the group. If the total is a net outflow, the group is onerous and no CSM is established for the group, a loss is immediately recognized in the Income Statement and a loss component is created in the LRC.

Loss Component

The loss component of the LRC determines the maximum amount of fulfilment cash flows that could subsequently be accounted for in the Income Statement as a reversal of losses on onerous contracts in the *Insurance service expenses* and which would be excluded from the *Insurance revenue*.

Contracts Acquired

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. This is the fair value of the contracts at that date. If the total is a net outflow, the group is onerous and a loss is immediately recognized in the Income Statement for contracts acquired in a transfer. If the contracts are acquired in a business combination, the net outflow is rather an adjustment to goodwill or to a gain on a bargain purchase.

Subsequent Measurement

At each reporting date, the carrying amount of a group of insurance contracts not measured under the PAA is the sum of the LRC and the LIC. The LRC comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and the remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not been paid, including claims that have been incurred but have not been reported.

Fulfilment Cash Flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

Changes in fulfilment cash flows relating to future services are offset by an equivalent amount in the CSM when the group is non-onerous (see "Contractual Service Margin" section below) whereas they are recognized under *Insurance service result* in the Income Statement for onerous groups. Changes in fulfilment cash flows relating to current or past services are recognized under *Insurance service result*. Changes in the effects of the time value of money and financial risk (on estimates of future cash flows and on the risk adjustment for non-financial risk) are recognized under *Net investment result* for contracts measured under the GMM. However, for contracts measured under the VFA, those changes are instead offset by an equivalent variation of the CSM, except for items covered by the risk mitigation option.

For contracts measured under the GMM, in order to have a consistent accounting treatment of the estimates of future cash flows and of the risk adjustment for non-financial risk, the Company has made the accounting policy choice to disaggregate the changes in the risk adjustment for non-financial risk. Therefore, the effects of the time value of money and financial risk are recognized in *Net investment result* instead of being recognized under *Insurance service result* (for current services) or offset by the CSM (for future services).

Contractual Service Margin

The subsequent measurement of the CSM is different depending on whether the GMM or VFA is used.

Insurance Contracts Without Direct Participation Features

Under the GMM, the carrying amount of the CSM at each reporting date is the balance at the beginning of the reporting period, plus the CSM of new contracts added to the group during the period and the interest accreted at discount rates at initial recognition on the carrying amount of the CSM during the period, adjusted by the changes in fulfilment cash flows relating to future services and by the effect of currency exchange differences on the CSM if applicable, less the amount recognized as insurance revenue due to the services provided in the period.

The changes in fulfilment cash flows relating to future services (mentioned above in the "Fulfilment Cash Flows" section) that adjust the CSM include experience adjustments arising from premiums received in the period that relate to future services, changes in estimates of the present value of future cash flows in the LRC at discount rates at initial recognition and not related to the time value of money nor financial risk, differences between investment components expected to be payable in the period versus the actual investment components that become payable in the period, and changes in risk adjustment for non-financial risk that relate to future services.

Direct Participating Insurance Contracts

Under the VFA, the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items that adjust the fulfilment cash flows do not adjust the CSM and are instead recognized in the Income Statement as these changes do not relate to future services.

The carrying amount of the CSM at each reporting date assessed under the VFA is the balance at the beginning of the reporting period, plus the CSM of new contracts added to the group during the period, adjusted by the changes in the amount of the Company's share of the fair value of the underlying items related to future service and by the changes in fulfilment cash flows that do not vary based on the returns on underlying items related to future services, except for items covered by the risk mitigation option, less the amount recognized as insurance revenue because of the services provided in the period.

The changes in fulfilment cash flows that do not vary based on the returns on underlying items that adjust the CSM are mostly the same as those specified in the section above for insurance contracts without direct participation features and are however measured at current discount rates. Moreover, they comprise the changes in the effect of the time value of money and financial risk that do not arise from underlying items, except for items covered by the risk mitigation option which are included in *Finance income (expenses) from insurance contracts*.

The changes in fulfilment cash flows that do not adjust the CSM are instead recognized in the Income Statement. These are changes in the Company's variable fee in the event that it exceeds the CSM resulting in a loss in the Income Statement, and also the changes in the effects of time value of money and financial risk allowed by the risk mitigation option that are included in *Finance income (expenses) from insurance contracts*. Indeed, the Company has made the accounting policy choice to use the risk mitigation option for cash flows that are covered by the dynamic hedging program used by the Company to mitigate financial risk arising from financial guarantees through the use of derivative and non-derivative financial instruments measured at fair value through profit or loss. Consequently, the effects of time value of money and financial risk on the Company's share of the fair value of the underlying items and on fulfilment cash flows covered by the dynamic hedging program are not recognized in the CSM.

Loss Component

Groups of contracts that were not onerous at initial recognition can subsequently become onerous if assumptions and experience changes and therefore a loss component of the LRC is afterwards established for those groups. The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows between the loss component of the LRC and the LRC excluding the loss component. When the loss component reaches zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

ii. Reinsurance Contracts Not Measured Under the PAA

The measurement of reinsurance contracts applying the GMM is similar to that of insurance contracts without direct participation features, with the exception of the following:

Initial Measurement

Fulfilment Cash Flows

For reinsurance contracts, the estimates of present value of the future cash flows are consistent with the assumptions of the underlying insurance contracts and contain an adjustment for the effect of the non-performance risk of the reinsurer. The risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer, which is determined by the Company.

Contractual Service Margin

On initial recognition of a group of reinsurance contracts, the CSM represents a net cost or a net gain on purchasing the reinsurance and is accounted for in the Statement of Financial Position. The CSM is measured as the opposite amount of the sum of the fulfilment cash flows (estimates of discounted future cash flows plus a risk adjustment for non-financial risk) and the income recognized in the Income Statement for recovery of a loss recognized on onerous underlying contracts. Nevertheless, if a net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, the cost is immediately recognized in the Income Statement as an expense.

Loss-Recovery Component

A loss-recovery component of the asset for remaining coverage (ARC) included in the reinsurance assets is established for a group of reinsurance contracts for which onerous underlying insurance contracts had a loss recognized on initial recognition and is adjusted when further onerous underlying insurance contracts are added to a group. The loss-recovery component determines the maximum amount that could subsequently be accounted for in the Income Statement as reversal of recoveries of losses from reinsurance contracts.

Contracts Acquired

For reinsurance contracts acquired in a transfer of contracts or a business combination, the consideration paid for the contracts is used as a proxy of the premiums paid at the date of initial recognition. For reinsurance contracts covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying the amount of the loss component that relates to the underlying contracts at the date of acquisition by the percentage of claims on the underlying contracts at the date of acquisition that the Company expects to recover from the reinsurance contract. The amount of a loss-recovery component arising from reinsurance contracts acquired in a business combination is recognized as part of goodwill or as a gain on a bargain purchase, and is accounted for as income in the Income Statement when it arises from a transfer.

Subsequent Measurement

At each reporting date, the carrying amount of a group of reinsurance contracts is the sum of the ARC and the asset for incurred claims (AIC). The ARC comprises the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date. The AIC includes the fulfilment cash flows for incurred claims and amounts recoverable that have not been received from the reinsurer, including claims that have been incurred but have not been reported.

Fulfilment Cash Flows

The fulfilment cash flows of a group of reinsurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized on the same pattern as the underlying contracts depending on whether they are onerous or non-onerous. Similar to insurance contracts measured under the GMM, the Company has made the accounting choice to disaggregate the changes in the risk adjustment for non-financial risk to recognize the effects of the time value of money and financial risk under *Net investment result,* in *Finance income (expenses) from reinsurance contracts.*

Contractual Service Margin

Under the GMM, the carrying amount of the CSM at each reporting date is the balance at the beginning of the reporting period adjusted for the variation in the period regarding the CSM of new contracts added to the group, the interest accreted at discount rates at initial recognition on the carrying amount of the CSM, the changes in fulfilment cash flows relating to future services except those relating to the onerous underlying ceded contracts that are recognized in the Income Statement, the effect of currency exchange differences on the CSM (if applicable) and the amount recognized in the Income Statement relating to services received in the period. The CSM is also adjusted for income recognized to cover a loss on initial recognition of an onerous group of underlying contracts and for reversals of a loss-recovery component related to the changes on onerous groups of underlying contracts. Changes in fulfilment cash flows arising from the underlying ceded contracts that have been recognized in the Income Statement as well as changes in the non-performance risk of the reinsurer assessed at each reporting date are recognized in the Income Statement and do not adjust CSM.

Loss-Recovery Component

The loss-recovery component is subsequently adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts and shall not exceed the portion of the carrying amount of the loss component that the Company expects to recover from the group of reinsurance contracts.

iii. Insurance Contracts Measured Under the PAA

Initial Measurement

On initial recognition, the carrying value of the LRC of a group that is not onerous is the total of the premiums received less any insurance acquisition cash flows at that date. The Company has chosen to include the insurance acquisition cash flows in the initial measurement of the LRC of the group.

For contracts longer than one year, the LRC is discounted to reflect the time value of money and financial risk using discount rates at initial recognition. For contracts with a coverage period of one year or less, there is no significant financing component related to the LRC and there is no adjustment for time value of money and financial risk.

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. In such case, a loss is immediately recognized in the Income Statement for the net outflow and a loss component of the LRC is created for the group.

Subsequent Measurement
At each reporting date, the carrying amount of a group of insurance contracts measured under the PAA is the sum of the LRC and the LIC.

The LRC at the beginning of the period is adjusted for the variations related to the period for the premiums received, the insurance acquisition cash flows paid, the amount recognized as insurance revenue for the services provided, the amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense for the group and an adjustment for time value of money and the effect of financial risk for contracts with a significant financing component.

Similar to insurance contracts not measured under the PAA, the LIC includes the fulfilment cash flows for incurred claims and expenses that have not been paid, including claims that have been incurred but have not been reported.

Loss Component
If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the LRC of the group. By the end of the coverage period of the group of contracts, the loss component will reach zero.

iv. Reinsurance Contracts Measured Under the PAA

The Company applies the same accounting policies to measure a group of reinsurance contracts as a group of insurance contracts measured under the PAA, adapted where necessary to reflect features that differ from those of insurance contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, the amount is recognized directly in the carrying amount of the ARC instead of the adjustment to the CSM that is required for reinsurance contracts not measured under the PAA.

vi) Derecognition and Contract Modification

An insurance contract is derecognized when it is extinguished, whether because the rights and obligations relating to the contract have expired, are discharged or are cancelled. On derecognition of a contract from within a group of contracts not measured under the PAA, the fulfilment cash flows allocated to the group are reduced by derecognizing the present value of the future cash flows and risk adjustment for non-financial risk that relate to the rights and obligations. The CSM of the group is then adjusted for the change in the fulfilment cash flows, except for changes allocated to a loss component. The number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognized from the group.

A contract modification may lead to a derecognition under certain conditions such as substantial changes to the contract boundary, or contract conditions that require the modified contract to be included in a different group or to use a different model for the measurement. Consequently, the modified contract is recognized as a new contract.

When a contract modification is not treated as a derecognition because neither of the criteria are met, the amounts paid or received for the modification to the contract are considered as changes in estimates of fulfilment cash flows of the LRC.

vii) Presentation in the Income Statement

Insurance Revenue
Insurance Contracts Not Measured Under PAA
At each reporting date, the Company recognizes insurance revenue in the Income Statement as it satisfies its performance obligations which consists in providing services under groups of insurance contracts, including investment services for managing underlying items on behalf of policyholders for direct participating insurance contracts. The amounts recognized during the period relating to the services provided correspond to the total of the changes in the LRC in the period that relate to services for which the Company expects to receive consideration. Insurance revenue is principally composed of recognition of the CSM for services provided, changes in the risk adjustment for non-financial risk relating to current services and release of expected claims and other insurance service expenses incurred in the period. In addition, a portion of revenue is recognized in a systematic way based on the passage of time for the recovery of the insurance acquisition cash flows. The release of the CSM into insurance revenue is done by equally allocating the CSM at the end of the period to each coverage unit provided in the current period and those expected to be provided in the future within the contract boundary.

Insurance Contracts Measured Under PAA
For contracts measured under the PAA, the insurance revenue for the period is the amount of expected premium receipts allocated for services provided in the period. For contracts with a coverage period of one year or less, the Company allocates the expected premium receipts on the basis of the passage of time since this represents the expected pattern of release of risk during the coverage period. For contracts with a coverage period longer than one year, the allocation to each period is made on the basis of the expected timing of incurred insurance service expenses.

Insurance Service Expenses
Insurance service expenses are composed principally of incurred claims and other insurance service expenses, amortization of insurance acquisition cash flows and losses on onerous contracts and reversals of such losses.

Net Expenses from Reinsurance Contracts

The Company has chosen to present income and expenses from reinsurance contracts, other than finance income and expenses from reinsurance contracts, under a single net amount as *Net expenses from reinsurance contracts* under *Insurance service result*, which corresponds to the net basis of the allocation to the Income Statement of reinsurance premium paid and the amounts recoverable from reinsurers. The allocation of reinsurance premiums paid is recognized in the Income Statement as the Company receives services under groups of reinsurance contracts. The amounts recovered from reinsurers comprise cash flows related to claims or benefit experience of the underlying contracts. The CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of services provided depends on the number of underlying contracts in force.

Finance Income and Expenses from Insurance Contracts and from Reinsurance Contracts

For contracts measured under the GMM and when there is a significant financing component in contracts measured under the PAA, finance income and expenses from insurance contracts and from reinsurance contracts consider the effects of the time value of money, financial risks and their variations during the period on the carrying amount of groups of insurance contracts and of groups of reinsurance contracts.

For contracts measured under the VFA, it comprises changes in the fair value of underlying items, excluding deposits and withdrawals, and changes arising from the effect of the time value of money and financial risk on onerous contracts since these effects cannot be offset by the CSM. As mentioned in the “Direct Participating Insurance Contracts” sub-section, *Finance income (expenses) from insurance contracts* includes the effects of time value of money and financial risk on the Company’s share of the fair value of the underlying items and on fulfilment cash flows covered by the dynamic hedging program as allowed by the risk mitigation option. Segregated funds finance income and expenses amounts are presented distinctively in the Income Statement as *Finance income (expenses) related to segregated funds liabilities.* Moreover, the presentation regarding segregated funds is described in section i) “Segregated Funds” above.

The Company has made the accounting policy choice to include the finance income or expenses from insurance contracts and from reinsurance contracts in the Income Statement and therefore does not disaggregate these between the Income Statement and the Other Comprehensive Income Statement. This accounting policy is consistent with the fact that the related financial assets are managed on a fair value basis and measured and accounted for at fair value through profit or loss in the Income Statement.

Investment Components and Premium Refunds

Amounts received and payments related to investment components as well as premium refunds which meet the definition of an investment component only affect the insurance contract liabilities or assets and therefore do not have an impact on the Income Statement.

k) Investment Contract Liabilities and Deposits

Investment contract liabilities relate to contracts that do not include a significant insurance risk but that contain a financial risk. These contracts are initially carried at fair value less transaction costs directly related to the establishment of the contracts and are subsequently measured at amortized cost. The liability is derecognized when it is extinguished, whether because all the obligations relating to this type of contract have been performed, cancelled or have expired.

Deposits are classified as financial liabilities at amortized cost and are initially recognized at fair value. Subsequently, client deposits are measured at amortized cost using the effective interest rate method. Interest calculated on the effective interest rate is recognized in the Income Statement and presented in (*Increase) decrease in investment contract liabilities and interest on deposits.*

l) Other Liabilities

The nature of other liabilities is detailed in Note 17 “Other Liabilities”.

Financial liabilities included in *Other liabilities* are classified as financial liabilities at amortized cost, except for short-selling securities, securitization liabilities and securities sold under repurchase agreements, which are classified at fair value through profit or loss. Securitization liabilities and securities sold under repurchase agreements have been designated at fair value through profit or loss since they are part of a group of financial assets and financial liabilities whose management and performance are evaluated on a fair value basis.

The commitments related to short-selling securities reflect the Company’s obligation to deliver securities that it sold without owning them at the time of sale.

Under securities sold under repurchase agreements, the Company sells securities and, simultaneously, agrees to repurchase them in the short term, at a set price and date. Commitments related to securities acquired under repurchase agreements are recorded at fair value through profit or loss. Interest on repurchase operations is recorded in the Income Statement under *Net investment income*.

Liabilities classified or designated at fair value are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in *Change in fair value of investments* in the Income Statement. For designated financial liabilities, when change in fair value is attributable to a change in the Company’s own credit risk, the change of value is presented in the Comprehensive Income Statements. A financial liability is derecognized when the obligation related to the financial liability is settled, cancelled or expires.

Lease liabilities are recognized, from the commencement date of the contract, at the discounted value of the lease payments that have not yet been paid, discounted at the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. After their initial recognition, lease liabilities are recorded at amortized cost using the effective interest method and the related interest expense is recognized in *Other financing charges* in the Income Statement. Lease liabilities exclude amounts relating to variable lease payments or payments for which the Company is reasonably certain not to exercise. The Company has elected to recognize lease payments for short-term and low-value contracts on a straight-line basis over the lease term in *Other operating expenses* and in *Insurance service expenses*.

m) Income Taxes
The income tax expense includes current taxes and deferred taxes. The calculation of current income tax expense is based on taxable income for the year. Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be paid to or received from tax authorities using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income taxes result from temporary differences between the assets' and liabilities' carrying value and their value for tax purposes, using those rates enacted or substantively enacted applicable to the periods the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences subject to certain exceptions, carry forward for unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets can be utilized. The Company assesses all available evidence, both positive and negative, to determine the amount of deferred tax assets to be recognized.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset them, for the same legal entity and levied by the same taxation authority, and if the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The current and deferred taxes are presented in the Income Statement except when they relate to items that are recognized in *Other comprehensive income* or directly in equity. In this case, they are presented in the Comprehensive Income Statement and the Equity Statement respectively.

The Company is subject to income tax laws in Canada and the United States. Tax laws are complex and may be subject to different interpretations by the Company and by the tax authority. The provision for income taxes and deferred income taxes represents the Company's interpretation of the tax laws and estimates of current and future tax consequences of the transactions and events during the period. In addition, future events, such as changes in tax laws, tax regulations or the interpretations of such laws or regulations could have a material effect on the amounts of the tax expense, the deferred income tax and the effective tax rate during the year in which they occur.

n) Debentures
The Company has chosen to classify its debentures as financial liabilities at amortized cost. The fair value, net of related transaction costs, is used to initially recognize the debentures. Debentures are subsequently measured at amortized cost using the effective interest method. Interest calculated according to the effective interest method and premiums paid on redemption of debentures are recognized in the Income Statement and presented as *Other financing charges*.

o) Foreign Exchange Conversion
Transactions in foreign currencies are converted into the functional currency at the rate in effect when each transaction takes place. Monetary items in the Statement of Financial Position are converted at the end-of-period exchange rate. Non-monetary items in the Statement of Financial Position that are measured at fair value are converted at the end-of-period exchange rate, while non-monetary items that are measured at historical cost are converted at the exchange rate in effect when each transaction takes place. Gains and losses on foreign currency conversions are recognized in the Income Statement.

The financial statements of certain entities of the group, whose functional currency (the currency of the principal economic environment in which the entity operates) differs from the parent company, are converted into the reporting currency. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the end-of-period exchange rate. Revenues and expenses are translated at the average rate. Gains and losses on foreign currency and hedge results of some of these investments are accounted for in *Other comprehensive income, net of income taxes.*

p) Other Revenues
Other revenues mainly come from contracts that meet the definition of service contracts and especially include fees earned from the management of the Company's mutual fund assets and the Company's segregated fund assets relating to investment contracts, as well as commissions from intermediary activities, administration income and administrative services only (ASO) income. Other revenues are recognized based on the considerations specified in the contract with the customer and exclude any amounts received on behalf of third parties. The nature of the activities included in other revenues represents a single performance obligation (service) which consists of a series of similar services provided to the same customer. The Company recognizes other revenues in the Income Statement over time when services are rendered and when it is unlikely that they will be reversed.

q) Post-Employment Benefits
The Company has established defined benefit plans and provides certain post-retirement benefits to eligible employees. In some cases, eligible retirees have to pay a portion of premiums for these benefits. The cost of the retirement plans is determined using the Projected Unit Credit Method and management's best estimate regarding the discount rate, salary increases, mortality and expected health care costs. Defined benefit costs are divided into four components: service cost, net interest and administrative expense, which are shown in the Income Statement as *Other operating expenses* and *Insurance service expenses,* and revaluations, which are presented in *Other comprehensive income.*

The revaluations of defined benefit net liabilities (assets) include the actuarial gain or loss, the yield on plan assets (excluding amounts included in net interest on the defined benefit net liabilities (assets)) and the variation of the asset ceiling on a capitalized benefit plan, if applicable, and are recognized immediately as *Other liabilities (Other assets)* in the Statement of Financial Position and in *Other comprehensive income* on the other side. The Company decided to transfer the amounts recorded in *Other comprehensive income* to *Retained earnings*. The cost of past service is recognized in *Net income* in the period in which there has been a change, reduction or liquidation of the pension plan. The net interest is calculated by multiplying the defined benefit net liabilities (assets) at the beginning of the period by the discount rate. The difference between defined benefit assets and defined benefit obligations under defined benefit plans is recognized as an asset or liability in the Statement of Financial Position. The discount rate used to determine obligations under defined benefit plans is based on the market interest rate at the valuation date for debt securities with high quality and cash flows in line with forecast benefit payments.

In accordance with IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*, the Company must determine whether the assets of a capitalized plan provide an economic benefit to the Company through refunds from the plan or as a reduction in future contributions to the plan. If not, the net liabilities (assets) resulting from the obligation in respect of defined benefits must reflect the ceiling on the capitalized plan assets.

r) Stock-Based Compensation

i) Stock Option Plan

The stock option plan is accounted for as a transaction which is settled in equity. The cost of stock options granted is calculated using the fair value method. Fair value of options is estimated at the grant dates taking into account a forfeiture rate and using the graded vesting method. The cost of stock options is accounted for as a remuneration expense included in *Other operating expenses* in the Income Statement. The corresponding amount is recorded in *Contributed surplus* in the Equity Statement. For options that are cancelled before vesting, the remuneration expense that has previously been recognized is reversed. When options are exercised, contributed surplus is reversed and the shares issued are credited to share capital. Stock-based compensation is recognized at the grant date for grants to management personnel who are eligible to retire on the grant date and over the period from the date of grant to the date of retirement eligibility for grants to management personnel who will become eligible to retire during the vesting period.

ii) Share Purchase Plan for Employees

The Company's cash contribution is charged to the Income Statement as *Other operating expenses* and *Insurance service expenses* in the period the common shares are purchased.

iii) Deferred Share Units Plan

Measurement of deferred share units, which are settled in cash, is based on the value of the Company's common shares. When a grant is made, the Company recognizes a remuneration expense in the Income Statement and a liability equivalent to the fair value of the Company's common shares in the Statement of Financial Position. This liability is revalued at the end of each reporting period and on the settlement date according to the value of the Company's common shares and the change in fair value is recorded in *Other operating expenses* in the Income Statement.

iv) Mid-Term Incentive Plan and Time-Based and Performance-Based Restricted Share Unit Plan

Measurement of these plans, which are settled in cash, is based on the value of the Company's common shares. At the end of each reporting period, the Company records a remuneration expense in the Income Statement and a liability in the Statement of Financial Position, equal to the average fair value of the Company's common shares for the reference period. This expense is amortized linearly according to the estimated number of shares expected to be vested at the end of the vesting period. Changes in the fair value of liabilities are recorded in *Other operating expenses* and *Insurance service expenses* in the Income Statement.

v) Restricted Share Units Plan

The restricted share units plan is accounted for as a share-based payment transaction that is settled in cash. Its valuation is based on the fair value of the common shares of a subsidiary of the Company, which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the group which are not under its control. Fair value is determined using equity valuation models. Based on the estimated number of restricted share units expected to be vested, the Company recognizes the remuneration expense in *Other operating expenses* in the Income Statement and the corresponding liability in the Statement of Financial Position for the vesting period. At the end of each reporting period and on the settlement date, the liability is remeasured based on the fair value of the common shares of the subsidiary and the change is recorded in *Other operating expenses* in the Income Statement.

vi) Phantom Share Plan

The Phantom Share Plan is accounted for as a share-based payment transaction that is settled in cash. Its valuation is based on the fair value of the Company's common shares. Based on the estimated number of phantom share units expected to be vested, the Company recognizes the remuneration expense in *Other operating expenses* in the Income Statement and the corresponding liability in the Statement of Financial Position over the vesting period. At the end of each reporting period and on the settlement date, the liability is remeasured based on the fair value of the Company's common shares and the change is recorded in *Other operating expenses* in the Income Statement.

3 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2023.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 17 *Insurance Contracts*	*Description:* On May 18, 2017, the IASB published the standard IFRS 17 *Insurance Contracts* which replaces the provisions of the standard IFRS 4 *Insurance Contracts.* Amendments to this standard were also published in June 2020 and December 2021 with the objective to help entities to prepare for its implementation. The standard IFRS 17: • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. The key principles of IFRS 17 are that the Company: • identifies as insurance contracts those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder; • separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards; • presents, measures and recognizes insurance contracts and reinsurance contracts separately; • recognizes and measures groups of insurance contracts at present value of the future cash flows; these cash flows incorporate all of the available information about the fulfilment cash flows, plus the risk adjustment and the contractual service margin (CSM); • recognizes the profit from a group of insurance contracts over the period for which the Company provides insurance coverage, and as the Company is released from risk. If a group of contracts is expected to be onerous over the remaining coverage period, the Company recognizes the loss immediately; • presents insurance revenue, insurance service expenses and insurance finance expenses separately, excluding investment components; • discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows. *Impact*: The Company has applied this new standard as at January 1, 2023 and the impact is described in Note 4 “Impact of IFRS 17 and IFRS 9 Adoption”.
IFRS 9 *Financial Instruments*	*Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement.* Amendments to IFRS 9 *Financial Instruments* were also published in October 2017 and August 2020 along with an annual improvement to IFRSs in May 2020 to provide clarifications on specific topics. The standard IFRS 9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity’s business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. *Impact*: The Company has applied this new standard as at January 1, 2023 and the impact is described in Note 4 “Impact of IFRS 17 and IFRS 9 Adoption”.
IAS 1 *Presentation of Financial Statements*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Disclosure of Accounting Policies* requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment apply prospectively. *Impact:* No significant impact on the Company’s financial statements.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Accounting Estimates* introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment apply prospectively. *Impact:* No impact on the Company’s financial statements.

IAS 12 *Income Taxes*	*Description:* On May 7, 2021, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* clarifies the accounting for deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition, such as with leases and decommissioning obligations. The provisions of this amendment apply on a modified retrospective basis. *Impact*: No impact on the Company's financial statements. *Description:* On May 23, 2023, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *International Tax Reform – Pillar Two Model Rules* provides a temporary exception from recognizing and disclosing information about deferred tax assets and liabilities arising from the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD). This mandatory exception applies immediately and retrospectively. The amendment also introduces targeted disclosure requirements for periods in which Pillar Two legislation is enacted or substantively enacted. These disclosure requirements apply prospectively to annual financial statements beginning on or after January 1, 2023. *Impact:* The Company does not recognize nor disclose information about deferred tax assets and liabilities arising from the OECD's Pillar Two Model Rules, as required by the exception provided for in this amendment. The Company is actively monitoring legislative developments in the Canadian government's implementation of the OECD's Pillar Two Model Rules in order to evaluate the impact of this amendment on its financial statements.

Future Changes in Accounting Policies

Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

Standards or amendments	Description of the standards or amendments
IAS 1 *Presentation of Financial Statements*	*Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Classification of Liabilities as Current or Non-current* only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. The provisions of this amendment were initially to be applied retrospectively to financial statements beginning on or after January 1, 2022, but on July 15, 2020, the IASB decided to postpone the effective date to financial statements beginning on or after January 1, 2023. On October 31, 2022, the IASB published a new amendment, *Non-current Liabilities with Covenants*, which specifies conditions affecting the classification of a liability when an entity must comply with covenants within 12 months after the reporting period and clarifies the disclosure requirements in the notes. In addition, the latest amendment further postpones the effective date of the previous amendments to financial statements beginning on or after January 1, 2024, with retrospective application. Early adoption is permitted. *Status:* The Company has completed the analysis of these amendments and does not expect any impact on its financial statements.
IFRS 16 *Leases*	*Description:* On September 22, 2022, the IASB published an amendment to IFRS 16 *Leases*. The amendment *Lease Liability in a Sale and Leaseback* adds requirements for the subsequent measurement of a lease liability by a seller-lessee in a sale and leaseback transaction accounted for as a sale, with the aim to prevent the recognition of a gain or loss relating to the right of use retained. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2024. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any impact on its financial statements.
IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*	*Description:* On May 25, 2023, the IASB published an amendment to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. The amendment *Supplier Finance Arrangements* requires entities to disclose information about supplier finance arrangements and their effects on liabilities, cash flows and exposure to liquidity risk in order to increase transparency on this type of arrangement. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2024. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any impact on its financial statements.
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	*Description:* On August 15, 2023, the IASB published an amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The amendment *Lack of Exchangeability* specifies when a currency is exchangeable and when it is not, how to determine the exchange rate when a currency is not exchangeable, and the additional information required to be disclosed when a currency is not exchangeable. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2025. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

4 › Impact of IFRS 17 and IFRS 9 Adoption

The initial and simultaneous application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* as at January 1, 2023, had a limited effect on the Company's equity at transition on January 1, 2022, resulting in a $10 increase in shareholders' equity.

Reconciliation of the Consolidated Statement of Financial Position as at January 1, 2022

The following table presents the impact of the IFRS 17 and IFRS 9 standards on the Consolidated Statement of Financial Position at the transition date. Refer to the sub-sections titled "Impact of the Adoption of IFRS 17" and "Impact of the Adoption of IFRS 9" below to have more information.

(in millions of dollars)	As at December 31, 2021	IFRS 17 adjustments	IFRS 9 adjustments	As at January 1, 2022
Investments	$ 45,651	$ (182)	$ 295	$ 45,764
Insurance and reinsurance contract assets	2,210	(194)	(3)	2,013
Segregated funds net assets	39,577	—	—	39,577
Other	7,221	(956)	2	6,267
Total assets	$ 94,659	$ (1,332)	$ 294	$ 93,621
Insurance, reinsurance and investment contract liabilities and deposits	$ 37,117	$ 4,234	$ —	$ 41,351
Insurance and investment contract liabilities related to segregated funds	39,577	—	—	39,577
Other	10,720	(5,292)	58	5,486
Total liabilities	$ 87,414	$ (1,058)	$ 58	$ 86,414
Participating policyholders' accounts	$ 48	$ (48)	$ —	$ —
Total shareholders' equity	7,197	(226)	236	7,207
Total equity	$ 7,245	$ (274)	$ 236	$ 7,207

As a result of the application of IFRS 17 and IFRS 9, described in the following sections, the net income attributed to common shareholders for the year ended December 31, 2022 resulted in a decrease from $817 to $309, and the earnings per common share (basic) for the year ended December 31, 2022 decreased from 7.68 dollars to 2.90 dollars. These results are in the context of the transition of the Company's invested asset portfolio from an asset-liability matching strategy adapted to the previous standards to an asset-liability matching strategy adapted to the new standards. This transition was occurring in 2022 and was not fully completed as at December 31, 2022, and this contributed to higher net income volatility in 2022, as the measurement is now done under the new standards. Therefore, the difference in the net income attributed to common shareholders is mainly explained by the different impacts of macroeconomic variations under the new applicable standards (IFRS 17 and IFRS 9) and the previous standards (IFRS 4 and IAS 39) in force before the transition.

Impact of the Adoption of IFRS 17

The impacts of the adoption of IFRS 17 have been recognized through adjustments to *Retained earnings* and *Participating policyholders' accounts* and are disclosed in the Consolidated Equity Statements. The *Retained earnings* as at January 1, 2022 have been decreased by an amount of $226 related to the new principles of recognition and measurement of insurance contract liabilities, that is, $310 before the adjustment of $84 on deferred income tax net assets. In addition, IFRS 17 has led to some reclassifications between insurance and reinsurance contract assets, insurance, reinsurance and investment contract liabilities, other assets, other liabilities and participating policyholders' accounts which had no impact on shareholders' equity. The amount of $48 for participating policyholders' accounts is now included in insurance contract liabilities. At the time of transition, in order to group items with a similar nature together, the Company elected to reclassify in *Investment contract liabilities and deposits* an amount of $2,087 relating to amounts that the Company owes to clients which were in *Other liabilities* before the application of the new standards. All these reclassifications can be found in the *IFRS 17 adjustments* column in the table above.

As IFRS 17 adoption resulted in significant changes to the accounting of insurance contracts and reinsurance contracts, certain comparative figures have been restated and the Company has prepared its opening Statement of Financial Position as at January 1, 2022. As determined in the IFRS 17 transition provisions, the Company has not presented the effects of the initial application of IFRS 17 on each financial statement line item affected in these financial statements.

The nature and main impacts of the changes in accounting policies are summarized below. More detailed information regarding accounting policy choices is described in Note 2 "Material Accounting Policy Information".

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively to the extent practicable. On transition date, January 1, 2022, the Company:

- identified, recognized and measured each group of insurance contracts and reinsurance contracts as if IFRS 17 had always applied unless impracticable;
- derecognized any existing balances that would not exist had IFRS 17 always applied. *Outstanding premiums*, *Due from reinsurers* and an amount of $566 for *Deferred sales commissions* that were included in *Other assets*, as well as *Unearned premiums*, *Due to reinsurers, Other insurance contract liabilities* and *Fair value of purchased business in force* that were presented in *Other liabilities* are no longer presented separately. These items are henceforth included, for each portfolio, as *Insurance contract assets*, *Insurance contract liabilities*, *Reinsurance contract assets* or *Reinsurance contract liabilities*;
- recognized any resulting net difference directly in equity.

The Company has applied two different approaches to measure the contracts at the transition date: the full retrospective approach and the fair value approach.

a) Full Retrospective Approach

On transition to IFRS 17, the Company has applied the full retrospective approach, unless impracticable. The full retrospective approach has been applied to all groups of insurance contracts and reinsurance contracts evaluated under the premium allocation approach and to direct participating insurance contracts issued on or after January 1, 2020.

For most groups of contracts, the full retrospective approach was impracticable, since reasonable and supportable information to apply this approach was not available without undue cost or effort. Indeed, the historical data to be used in the calculation of insurance contract liabilities at the date of initial recognition have not been collected in accordance with the requirements of the new standard, which are more granular than before, and due to technological and system limitations. Moreover, the full retrospective approach requires the use of significant accounting estimates and management's assumptions consistent with the information that would have been available on the date of initial recognition, which could not be made without the use of hindsight.

b) Fair Value Approach

Consequently, the Company has applied the fair value approach to most groups of contracts, i.e., almost all insurance contracts and reinsurance contracts issued before January 1, 2022, including groups of insurance contracts with direct participation features to which the risk mitigation option was applied. In determining fair value, the Company has applied the requirements of IFRS 13 *Fair Value Measurement*, except for the demand deposit floor requirement. Management exercises its judgment and uses estimations to determine the fair value. The contractual service margin (or the loss component) of the liability for remaining coverage at the transition date is the difference between the fair value of the group of insurance contracts and the fulfilment cash flows of the group measured at that date.

The Company used the appraisal value approach to calculate the fair value of the insurance contracts and reinsurance contracts at the transition date. This valuation technique, a common method applied across the Canadian insurance industry, establishes the price that a prospective buyer is willing to pay to purchase a block of business acquired as part of a transfer or in a business combination. The fair value obtained with this approach represents the amount of assets that would be required to take over the obligations of these contracts, and thus takes into account the fulfilment cash flows plus the compensation required by this prospective buyer to assume these liabilities.

The calculation of the fair value involves assumptions to represent what a market participant would use to value the insurance contracts. Those assumptions were added to the ones used in measuring the fulfilment cash flows. Mainly, fulfilment cash flows were adjusted to include a reasonable level of operating expenses not related to insurance service that a market participant would expect to incur, as well as an expected compensation, based on the capital requirements, for taking the risks inherent with the insurance contracts. Also, initial market interest rates have been used, but adjusted for their evolution over time for future reinvestment in order to consider the reinvestment risk a market participant would have to face.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for groups of contracts applying the fair value approach was determined at the transition date and also corresponds to the discount rate at initial recognition for these groups of insurance contracts.

At transition, for groups of contracts under the fair value approach, the Company has aggregated contracts issued more than one year apart in the same group as reliable information to aggregate contracts issued within one year was not available.

Impact of the Adoption of IFRS 9

Before the adoption of IFRS 9, the Company was applying IAS 39 *Financial Instruments*. The IFRS 9 requirements related to classification and measurement, as well as those related to impairment, have been applied retrospectively through adjustments to the Financial Position Statement amounts. The Company has elected to apply the classification overlay to restate its comparative information, as permitted by an amendment to IFRS 17. The impacts of IFRS 9 adoption were recognized through adjustments to *Retained earnings and accumulated other comprehensive income,* resulting in an increase of $236 of the shareholders' equity as at January 1, 2022 and a subsequent increase of $7 of the shareholders' equity as at January 1, 2023.

The nature and main impacts of the changes in accounting policies are summarized below. More detailed information regarding accounting policy choices is described in Note 2 “Material Accounting Policy Information”.

Classification Overlay

The classification overlay has been applied to all financial assets, including derecognized assets in the comparative period. The Company applied impairment requirements of IFRS 9 for the comparative period. The change of classification as at January 1, 2022 has been applied using the projected classification on January 1, 2023. No further change of classification for financial assets has been made as at January 1, 2023.

Classification and Measurement of Financial Instruments

Financial assets can be classified into three categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. An entity can make the irrevocable election at initial recognition to designate a financial instrument at fair value through profit or loss. The classification is generally based on the business model in which a financial asset is managed along with its contractual cash flow characteristics. IFRS 9 eliminates the previous categories of held to maturity, loans and receivables and available for sale.

The Company has established that short-term investments, bonds and mortgages are managed and their performance is evaluated on a fair value basis, therefore they must be classified at fair value through profit or loss. For cash, car loans and other loans, the objective is to collect the contractual cash flows only, so they must be classified at amortized cost.

Hedge Accounting

At the transition date as at January 1, 2022, the Company ended the following fair value hedge accounting relationships: interest rate risk hedging for financial assets classified as available for sale, and currency rate risk hedging for financial assets classified as available for sale. It also ended the following cash flow hedge relationship: currency rate risk hedging on financial assets denominated in foreign currency. The hedge accounting relationship that the Company terminated was accounted for the same way as the reclassification of the financial asset accounted for previously as available for sale.

At the date of first application as at January 1, 2023, the Company ended its fair value hedge accounting relationship on interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The balance was reclassified against the balance of the financial liabilities.

Effect of Initial Application

Classification of Financial Instruments

The following table presents the classifications and carrying amounts of financial assets as previously established in accordance with IAS 39, as well as the new classifications and new carrying amounts established in accordance with IFRS 9, where applicable:

	January 1, 2022			
	Carrying value under		Classification under	
(in millions of dollars)	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial assets				
Cash	$ 1,330	$ 1,330	Loans and receivables	Amortized cost
Short-term investments	216	216	Held for trading	At fair value through profit or loss
Bonds	24,929	24,929	Designated at fair value through profit or loss	At fair value through profit or loss
Bonds	4,795	4,795	Available for sale	At fair value through profit or loss
Bonds	255	255	Held to maturity	At fair value through profit or loss
Bonds	2,886	3,148	Loans and receivables	At fair value through profit or loss
Stocks	3,357	3,357	Designated at fair value through profit or loss	At fair value through profit or loss
Stocks	549	520	Available for sale	At fair value through profit or loss
Mortgages	89	89	Designated at fair value through profit or loss	At fair value through profit or loss
Mortgages	1,805	1,877	Loans and receivables	At fair value through profit or loss
Car loans and other loans[1]	1,056	1,904	Loans and receivables	Amortized cost
Derivative financial instruments	917	917	Held for trading	At fair value through profit or loss
Other invested assets – Notes receivable	6	6	Loans and receivables	Amortized cost
Other invested assets – Restricted bonds and investment fund units	92	92	Available for sale	At fair value through profit or loss
Other assets – Securities purchased under reverse repurchase agreements	—	—	Loans and receivables	At fair value through profit or loss
Total	$ 42,282	$ 43,435		

[1] As at January 1, 2022, of the $1,040 originally reported in *Policy loans* under IAS 39 as at December 31, 2021, an amount of $858 has been reclassified in *Car loans and other loans* and an amount of $182 has been reclassified in *Insurance contract liabilities (assets).*

Other invested assets shown in the Statement of Financial Position also include investments in associates and joint ventures.

	January 1, 2023			
(in millions of dollars)	**Carrying value under**		**Classification under**	
Financial liabilities	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Other liabilities – Securitization liabilities	$ 453	**$ 443**	At amortized cost	Designated at fair value through profit or loss
Other liabilities – Securities sold under repurchase agreements	—	**—**	At amortized cost	Designated at fair value through profit or loss
Other liabilities – Short-selling securities	265	**265**	Held for trading	At fair value through profit or loss
Total	$ 718	**$ 708**		

The financial assets included in *Other assets* and the financial liabilities included in *Other liabilities* that are not mentioned in the tables above were respectively classified under IAS 39 as loans and receivables and at amortized cost, and are classified at amortized cost under IFRS 9. There is no change in classification for debentures, investment contract liabilities, deposits and investment contract liabilities related to segregated funds.

Impairment of Financial Instruments

IFRS 9 replaces the incurred loss model of IAS 39 with a forward-looking expected credit loss model. The new impairment model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. Impaired financial instruments classified as available for sale, held to maturity or loans and receivables under IAS 39 and now classified at fair value through profit or loss under IFRS 9 have impairment reflected through their change of fair value and, as a result, are no longer impaired through a loss allowance.

The following table presents the reconciliation of the allowance for credit losses established in accordance with IAS 39 with the one established in accordance with IFRS 9:

	January 1, 2022		
(in millions of dollars)	Allowance for credit losses under IAS 39	Impairment adjustment	Allowance for credit losses under IFRS 9
Financial assets			
Car loans and other loans	$ (28)	$ (10)	$ (38)
Total	$ (28)	$ (10)	$ (38)

Reconciliation of the Carrying Value under IFRS 9

The following table presents the reconciliation of the carrying value from IAS 39 to IFRS 9 by type of financial assets and by classification:

(in millions of dollars)		**Bonds – Available for sale**	**Bonds – Held to maturity**	**Bonds – Loans and receivables**	**Stocks – Available for sale**	**Mortgages – Loans and receivables**	**Other invested assets – Restricted bonds and investment fund units**
Under IAS 39	Balance as at December 31, 2021	$ 4,795	$ 255	$ 2,886	$ 549	$ 1,805	$ 92
IFRS 9 adjustments	Measurement	—	—	262	(29)[1]	72	—
At fair value through profit or loss under IFRS 9	Balance as at January 1, 2022	4,795	255	3,148	520	1,877	92
	Change in carrying value	(340)	(153)	(330)	(40)	(363)	(20)
At fair value through profit or loss under IFRS 9	**Balance as at January 1, 2023**	**$ 4,455**	**$ 102**	**$ 2,818**	**$ 480**	**$ 1,514**	**$ 72**

[1] The amount of $29 relates to embedded derivatives that are no longer separated from the host contract since transition to IFRS 9. This is a reclassification between financial assets and financial liabilities with no effect on retained earnings at transition.

Financial instruments classified as held for trading or designated at fair value through profit or loss under IAS 39 are now classified at fair value through profit or loss. There is no change in carrying amounts for those instruments.

Financial instruments classified as loans and receivables under IAS 39 and subsequently classified at amortized cost under IFRS 9 have no change in carrying amount other than the calculated impairment.

Financial liabilities classified at amortized cost under IAS 39 and subsequently designated at fair value through profit or loss under IFRS 9 have a $10 decrease in carrying amount. The change comes from the difference between the amortized cost value and the fair value of the instruments on January 1, 2023.

Impact on *Retained Earnings and Accumulated Other Comprehensive Income*

All adjustments related to measurement and impairment are presented in the opening *Retained earnings and accumulated other comprehensive income* due to the retrospective application to January 1, 2022 and to January 1, 2023.

The following table presents the reconciliation of the opening *Retained earnings and accumulated other comprehensive income*:

(in millions of dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2021	$ 4,963	$ (14)	$ 4,949
Impact of adopting IFRS 17 excluding the participating policyholders' accounts	(226)	—	(226)
Impact of adopting IFRS 9			
Adjustments related to classification and measurement	403	(69)	334
Adjustments related to impairment	(10)	—	(10)
Other	—	(3)	(3)
Income tax adjustments	(101)	16	(85)
	292	(56)	236
Balance as at January 1, 2022	5,029	(70)	4,959
Balance as at December 31, 2022	**4,889**	**21**	**4,910**
Impact of adopting IFRS 9			
Adjustments related to classification and measurement	**10**	**—**	**10**
Income tax adjustments	**(3)**	**—**	**(3)**
	7	**—**	**7**
Balance as at January 1, 2023	**$ 4,896**	**$ 21**	**$ 4,917**

5 › Acquisition of Businesses

On June 1, 2023, the Company acquired, through one of its subsidiaries, a 100% interest in Continental-National, LLC, for an amount of $28 and a contingent consideration of up to $8. Continental-National, LLC is an agency specializing in the distribution of vehicle warranties through vehicle dealerships in the United States.

The allocation of the purchase price resulted in the recognition of goodwill of $18 and intangible assets of $17. Goodwill is deductible for tax purposes.

During the year ended on December 31, 2023, the Company finalized the allocation of the acquisition price. The adjustments made in the final allocation, as well as revenues and net income of the acquired company, did not have a significant impact on the Company's financial statements.

6 › Investments and Net Investment Income

a) Carrying Value and Fair Value

	2023				
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	$ 373	$ 1,006	$ —	$ 1,379	$ 1,379
Bonds					
Governments	8,957	—	—	8,957	
Municipalities	946	—	—	946	
Corporate and other	20,037	—	—	20,037	
	29,940	—	—	29,940	29,940
Stocks					
Common	2,384	—	—	2,384	
Preferred	455	—	—	455	
Stock indexes	297	—	—	297	
Investment fund units	933	—	—	933	
	4,069	—	—	4,069	4,069
Loans					
Mortgages					
Insured mortgages					
Multi-residential	970	—	—	970	
Non-residential	2	—	—	2	
	972	—	—	972	
Conventional mortgages					
Multi-residential	210	—	—	210	
Non-residential	244	—	—	244	
	454	—	—	454	
	1,426	—	—	1,426	
Car loans	—	1,395	—	1,395	
Other loans	—	839	—	839	
	1,426	2,234	—	3,660	3,653
Derivative financial instruments	1,787	—	—	1,787	1,787
Other invested assets	45	3	124	172	172
Investment properties	—	—	1,611	1,611	1,644
Total investments	$ 37,640	$ 3,243	$ 1,735	$ 42,618	$ 42,644

	2022				
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total	Fair value
Cash and short-term investments	$ 238	$ 1,120	$ —	$ 1,358	$ 1,358
Bonds					
Governments	7,831	—	—	7,831	
Municipalities	685	—	—	685	
Corporate and other	17,601	—	—	17,601	
	26,117	—	—	26,117	26,117
Stocks					
Common	2,461	—	—	2,461	
Preferred	485	—	—	485	
Stock indexes	289	—	—	289	
Investment fund units	793	—	—	793	
	4,028	—	—	4,028	4,028
Loans					
Mortgages					
Insured mortgages					
Multi-residential	1,107	—	—	1,107	
Non-residential	3	—	—	3	
	1,110	—	—	1,110	
Conventional mortgages					
Multi-residential	220	—	—	220	
Non-residential	262	—	—	262	
	482	—	—	482	
	1,592	—	—	1,592	
Car loans	—	1,184	—	1,184	
Other loans	—	928	—	928	
	1,592	2,112	—	3,704	3,730
Derivative financial instruments	990	—	—	990	990
Other invested assets	72	2	489	563	563
Investment properties	—	—	1,804	1,804	1,837
Total investments	$ 33,037	$ 3,234	$ 2,293	$ 38,564	$ 38,623

Other invested assets are made up of bonds and investment fund units that represent restricted investments, notes receivable and investments in associates and joint ventures. Bonds and investment fund units are classified at fair value through profit or loss. Notes receivable are classified at amortized cost. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column.

Fair value of investment properties is $1,644 ($1,837 in 2022) and is composed of investment properties of $1,611 ($1,804 in 2022) and of linearization of rents of $33 ($33 in 2022). The linearization of rents is the total rental income under the lease, distributed evenly over the lease term, using an average rate, which considers free rents and other advantages granted to tenants. Amounts related to the linearization of rents are presented in Note 10 "Other Assets". Net rental income for investment properties are presented in the "Net Investment Income" table in section c) of this note.

Net investment income includes investment properties expenses and expenses related to investments such as interest expenses on securitization liabilities and interest on reverse repurchase and repurchase operations. Other investment fees are presented in *Other operating expenses* in Note 23 "Insurance Service Expenses and Other Operating Expenses".

The table above comprises underlying items for insurance contracts with direct participation features related to general funds. The composition and the fair value of the underlying items for insurance contracts with direct participation features are as follows:

(in millions of dollars)	**2023**	2022
Cash and short-term investments	**$ 3**	$ 3
Bonds	**456**	443
Stocks	**116**	73
Loans	**59**	30
Derivative financial instruments	**4**	1
Investment properties	**20**	18
	$ 658	$ 568

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 29% as at December 31, 2023 (25% to 50% as at December 31, 2022). The carrying value of these investments as at December 31, 2023 is $124 ($489 as at December 31, 2022). The share of net income and comprehensive income for the year ended December 31, 2023 corresponds to a loss of $37 (profit of $96 for the year ended December 31, 2022).

c) Net Investment Income

		2023		
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total
Cash and short-term investments				
Interest	$ 2	$ 114	$ —	$ 116
Change in fair value	15	—	—	15
Bonds				
Interest	1,192	—	—	1,192
Change in fair value	1,339	—	—	1,339
Stocks				
Dividends	262	—	—	262
Change in fair value	137	—	—	137
Mortgages				
Interest	52	—	—	52
Change in fair value	23	—	—	23
Car loans and other loans				
Interest	—	206	—	206
Provision for credit losses	—	(68)	—	(68)
Derivative financial instruments				
Interest	106	—	—	106
Change in fair value	730	—	—	730
Other invested assets	(35)	15	12	(8)
Investment properties				
Rental income	—	—	189	189
Change in fair value	—	—	(178)	(178)
Investment properties expenses	—	—	(102)	(102)
Expenses related to investments	(25)	—	(3)	(28)
Total net investment income	$ 3,798	$ 267	$ (82)	$ 3,983
Interest	$ 1,246	$ 320	$ —	$ 1,566
Dividends	262	—	—	262
Derivative financial instruments	106	—	—	106
Net rental income	—	—	87	87
Provision for credit losses	—	(68)	—	(68)
Other income and expenses	(31)	15	9	(7)
Interest and other investment income	1,583	267	96	1,946
Cash and short-term investments	15	—	—	15
Bonds	1,339	—	—	1,339
Stocks	137	—	—	137
Loans	23	—	—	23
Derivative financial instruments	730	—	—	730
Investment properties	—	—	(178)	(178)
Other	(29)	—	—	(29)
Change in fair value of investments	2,215	—	(178)	2,037
Total net investment income	$ 3,798	$ 267	$ (82)	$ 3,983

	2022			
(in millions of dollars)	At fair value through profit or loss	At amortized cost	Other	Total
Cash and short-term investments				
Interest	$ —	$ 53	$ —	$ 53
Change in fair value	6	—	—	6
Bonds				
Interest	981	—	—	981
Change in fair value	(7,580)	—	—	(7,580)
Stocks				
Dividends	346	—	—	346
Change in fair value	(446)	—	—	(446)
Mortgages				
Interest	61	—	—	61
Change in fair value	(118)	—	—	(118)
Car loans and other loans				
Interest	—	174	—	174
Provision for credit losses	—	(62)	—	(62)
Derivative financial instruments				
Interest	18	—	—	18
Change in fair value	(1,784)	—	—	(1,784)
Other invested assets	(65)	7	234	176
Investment properties				
Rental income	—	—	185	185
Change in fair value	—	—	(139)	(139)
Investment properties expenses	—	—	(101)	(101)
Expenses related to investments	(5)	(33)	(3)	(41)
Total net investment income	$ (8,586)	$ 139	$ 176	$ (8,271)
Interest	$ 1,042	$ 227	$ —	$ 1,269
Dividends	346	—	—	346
Derivative financial instruments	18	—	—	18
Net rental income	—	—	84	84
Provision for credit losses	—	(62)	—	(62)
Other income and expenses	4	(26)	231	209
Interest and other investment income	1,410	139	315	1,864
Cash and short-term investments	6	—	—	6
Bonds	(7,580)	—	—	(7,580)
Stocks	(446)	—	—	(446)
Loans	(118)	—	—	(118)
Derivative financial instruments	(1,784)	—	—	(1,784)
Investment properties	—	—	(139)	(139)
Other	(74)	—	—	(74)
Change in fair value of investments	(9,996)	—	(139)	(10,135)
Total net investment income	$ (8,586)	$ 139	$ 176	$ (8,271)

7 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management exercises its judgment to determine the data that will be used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

Financial Assets

Short-Term Investments – Notional value of these investments represents the fair value due to their short-term maturity.

Bonds – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available.

Stocks – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

Loans – The fair value of mortgages and car loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for comparable loans and adjusted for credit risk and terms. Other loans are carried at amortized cost. They are guaranteed and may be repaid at any time. The fair value of other loans approximates their carrying value due to their nature.

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable on the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable on the market, as described previously. The Company’s use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

Other Invested Assets – The fair value of other invested assets is determined according to the type of invested assets. Fair value of notes receivable and investments in associates and joint ventures is approximately the same as the carrying value due to the nature of these elements. Bonds which are restricted investments are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available. Investment fund units which are restricted investments are evaluated at the net asset value published by the fund manager.

Other Assets – The fair value of securities purchased under reverse repurchase agreements is measured at the consideration paid plus accrued interest. The fair value of other assets is approximately the same as the carrying value due to their short-term nature.

Investment Properties

The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible physical use that is legally admissible, financially feasible and achievable in the short term based on demand, and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly. During the year, 96% of the investment properties portfolio was assessed by independent appraisers (100% in 2022).

Financial Liabilities

Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 9 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

Other Liabilities – The fair value of other liabilities, except short-selling securities, securities sold under repurchase agreements, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified at fair value through profit or loss, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets.

The fair value of securities sold under repurchase agreements is measured as the consideration received plus accrued interest.

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms. The fair value of securitization liabilities is disclosed in Note 8 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts" in section b) iii) « Other Information on Credit Risk ».

As at December 31, 2023, the fair value of the mortgage debt is $3 ($3 as at December 31, 2022). It is secured by an investment property with a carrying value of $52 ($42 as at December 31, 2022), bearing interest of 2.370% and maturing on September 27, 2028. The interest expense on the mortgage debt is less than $1 (less than $1 for the year ended December 31, 2022). The carrying value of the mortgage debt is included in Note 17 "Other Liabilities".

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments. Fair value of debentures is presented in Note 18 "Debentures".

Investment Contract Liabilities, *Deposits* and *Investment Contract Liabilities Related to Segregated Funds* – The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. The Company assumes that the fair value of demand deposits for which maturity is not determined corresponds to their carrying value. The estimated fair value of fixed rate term deposits is determined by discounting contractual cash flows at current interest rates offered on the market for deposits with similar terms and risks.

b) Hierarchy of the Fair Value

Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.

Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.

Level 3 – Valuation model based on valuation techniques that use significant unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

Assets

		2023		
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Cash and short-term investments	**$ —**	**$ 373**	**$ —**	**$ 373**
Bonds				
Governments	**—**	**8,858**	**99**	**8,957**
Municipalities	**—**	**946**	**—**	**946**
Corporate and other	**—**	**16,879**	**3,158**	**20,037**
	—	**26,683**	**3,257**	**29,940**
Stocks	**1,653**	**346**	**2,070**	**4,069**
Mortgages	**—**	**1,426**	**—**	**1,426**
Derivative financial instruments	**86**	**1,701**	**—**	**1,787**
Other invested assets	**—**	**45**	**—**	**45**
Investment properties	**—**	**—**	**1,611**	**1,611**
General fund investments recognized at fair value	**1,739**	**30,574**	**6,938**	**39,251**
Segregated funds financial instruments and investment properties	**32,421**	**8,467**	**915**	**41,803**
Total financial assets at fair value	**$ 34,160**	**$ 39,041**	**$ 7,853**	**$ 81,054**

		2022[1]		
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments	$ —	$ 238	$ —	$ 238
Bonds				
Governments	—	7,731	100	7,831
Municipalities	—	685	—	685
Corporate and other	—	14,921	2,680	17,601
	—	23,337	2,780	26,117
Stocks	1,515	346	2,167	4,028
Mortgages	—	1,592	—	1,592
Derivative financial instruments	37	952	1	990
Other invested assets	—	72	—	72
Investment properties	—	—	1,804	1,804
General fund investments recognized at fair value	1,552	26,537	6,752	34,841
Segregated funds financial instruments and investment properties	28,157	8,117	802	37,076
Total financial assets at fair value	$ 29,709	$ 34,654	$ 7,554	$ 71,917

[1] During the year ended December 31, 2023, the Company modified the presentation of fair value hierarchy information to upgrade according to practices observed on the market. Data for the year ended December 31, 2022 have been reclassified to comply with the current year's presentation. An amount of $1,599 of government bonds (presented in government bonds designated at fair value through profit or loss and in available for sale as well as in segregated funds financial instruments and investment properties) and an amount of $15 of other invested assets have therefore been reclassified from Level 1 to Level 2 as at December 31, 2022. In addition, the Company modified the presentation of an amount of $25 as at December 31, 2022 from corporate bonds to mortgages to comply with their contractual nature and the current period's presentation. This adjustment modified Levels 2 and 3 by the same amount. The reclassifications had no impact on the net income of the Company.

There were no transfers from Level 1 to Level 2 during the year ended December 31, 2023 (none for the year ended December 31, 2022).

There were no transfers from Level 2 to Level 1 during the year ended December 31, 2023 (none for the year ended December 31, 2022).

There were no transfers from Level 2 to Level 3 during the year ended December 31, 2023 ($23 for the year ended December 31, 2022). Transfers for the year ended December 31, 2022 were related to segregated funds financial instruments for $15 and bonds for $8. The fair value of segregated funds financial instruments and bonds was measured at the quoted market price obtained through brokers. However, their price had remained unchanged for more than 30 days which, according to the Company's internal policy, resulted in a transfer.

Transfers from Level 3 to Level 2 during the year ended December 31, 2023 amount to $15 ($8 for the year ended December 31, 2022). These transfers were related to bonds. The fair value of these bonds was measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments and was based on a price obtained less than 30 days prior.

There were no transfers from Level 1 to Level 3 during the year ended December 31, 2023 ($2 for the year ended December 31, 2022). Transfers for the year ended December 31, 2022 were related to segregated funds financial instruments. The fair value of these instruments was measured at the quoted market price obtained through brokers. However, the price of these financial instruments had remained unchanged for more than 30 days which, according to the Company's internal policy, resulted in a transfer.

There were no transfers from Level 3 to Level 1 during the year ended December 31, 2023 (none for the year ended December 31, 2022).

During the years ended December 31, 2023 and 2022, the Company made Level 3 transfers from owner-occupied properties to investment properties in relation to a change in use of the properties. The fair value of the properties at the transfer dates was assessed at $14 ($53 for the year ended December 31, 2022). The revaluation adjustments of $3 before tax ($3 after tax) have been recorded in the Comprehensive Income Statement in *Revaluation surplus related to transfers to investment properties* ($26 before tax ($22 after tax) for the year ended December 31, 2022).

The Company presents the transfers between hierarchy levels at the quarter-end fair value for the quarter during which the transfer occurred.

The following table presents assets recognized at fair value evaluated according to Level 3 parameters:

			2023				
(in millions of dollars)	**Balance as at December 31, 2022**	**Gains (losses) included in net income**	**Purchases**	**Sales and settlements**	**Transfers into (out of) Level 3 and reclassifications**	**Balance as at December 31, 2023**	**Total unrealized gains (losses) included in net income on investments still held**
Bonds	**$ 2,780**	**$ 75**	**$ 556**	**$ (139)**	**$ (15)**	**$ 3,257**	**$ 71**
Stocks	**2,167**	**(286)**	**305**	**(116)**	**—**	**2,070**	**(82)**
Derivative financial instruments	**1**	**(1)**	**—**	**—**	**—**	**—**	**(1)**
Investment properties	**1,804**	**(178)**	**47**	**(76)**	**14**	**1,611**	**(180)**
General fund investments recognized at fair value	**6,752**	**(390)**	**908**	**(331)**	**(1)**	**6,938**	**(192)**
Segregated funds financial instruments and investment properties	**802**	**34**	**144**	**(65)**	**—**	**915**	**24**
Total	**$ 7,554**	**$ (356)**	**$ 1,052**	**$ (396)**	**$ (1)**	**$ 7,853**	**$ (168)**

			2022				
(in millions of dollars)	Balance as at January 1, 2022	Gains (losses) included in net income	Purchases	Sales and settlements	Transfers into (out of) Level 3 and reclassifications	Balance as at December 31, 2022	Total unrealized gains (losses) included in net income on investments still held
Bonds	$ 3,051	$ (555)	$ 690	$ (406)	$ —	$ 2,780	$ (556)
Stocks	1,830	166	276	(105)	—	2,167	168
Derivative financial instruments	3	(2)	—	—	—	1	(2)
Investment properties	1,870	(139)	23	(3)	53	1,804	(139)
General fund investments recognized at fair value	6,754	(530)	989	(514)	53	6,752	(529)
Segregated funds financial instruments and investment properties	508	46	258	(27)	17	802	39
Total	$ 7,262	$ (484)	$ 1,247	$ (541)	$ 70	$ 7,554	$ (490)

For the year ended December 31, 2023, an amount of $47 ($23 for the year ended December 31, 2022) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of $14 ($53 for the year ended December 31, 2022) presented in *Transfers into (out of) Level 3 and reclassifications* corresponds to reclassifications of fixed assets to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2022).

Gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in *Net investment income* in the Income Statement, except for those related to segregated funds net assets, which are presented in *Investment income (expenses) from segregated funds net assets* in the Income Statement.

Valuation for Level 3 Assets

The main unobservable input used in valuation of bonds as at December 31, 2023 corresponds to credit and liquidity risk premiums ranging from 0.85% to 8.23% (1.31% to 3.09% as at December 31, 2022). The credit and liquidity risk premiums are the difference between the expected yield of an asset and the risk-free rate of return. The difference is called a spread and represents an extra compensation for the risk of default of the borrower and the lack of active markets to sell the financial assets. If all other factors remain constant, a decrease (increase) in credit and liquidity risk premiums will lead to an increase (decrease) in fair value of bonds.

The main unobservable input used in valuation of stocks as at December 31, 2023 corresponds to 100% of the net asset value of the shares owned by the Company, which is provided by the general partner of the limited partnership investments or the manager of the funds. The net asset value is the estimated fair value of the asset minus the fair value of the liability divided by the number of shares outstanding of a fund or a limited partnership.

The main unobservable inputs used in the valuation of the investment properties as at December 31, 2023 are the discount rate, which is between 5.75% and 8.75% (5.00% and 8.25% in 2022) and the terminal capitalization rate, which is between 5.00% and 7.75% (4.25% and 7.25% in 2022). The discount rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company assesses whether the application of other assumptions would have an impact on the fair value. As at December 31, 2023, using different assumptions would result in a reasonable fair value change of plus $162 or minus $147 for bonds, plus or minus $104 for stocks and plus $74 or minus $76 for investment properties.

Fair Value Disclosed in the Notes

The Company classifies and measures certain financial instruments at amortized cost. The fair value of these financial instruments is disclosed in the notes. The following table shows the hierarchy level of such fair values:

		2023		
(in millions of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**
Classified at amortized cost				
Car loans and other loans	**$ —**	**$ 2,227**	**$ —**	**$ 2,227**
Total of assets whose fair value is disclosed in the notes	**$ —**	**$ 2,227**	**$ —**	**$ 2,227**

		2022		
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Classified at amortized cost				
Car loans and other loans	$ —	$ 2,138	$ —	$ 2,138
Total of assets whose fair value is disclosed in the notes	$ —	$ 2,138	$ —	$ 2,138

Financial Liabilities

The following table presents the fair value of financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

	As at December 31, 2023			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	$ —	$ 329	$ —	$ 329
Securities sold under repurchase agreements	—	10	—	10
Securitization liabilities	—	259	—	259
Derivative financial instruments	50	737	—	787
Total of liabilities classified at fair value through profit or loss	$ 50	$ 1,335	$ —	$ 1,385
Classified at amortized cost				
Other liabilities				
Mortgage debt	$ —	$ 3	$ —	$ 3
Debentures	—	1,464	—	1,464
Investment contract liabilities and deposits	—	5,836	—	5,836
Investment contract liabilities related to segregated funds	—	11,636	—	11,636
Total of liabilities classified at amortized cost	$ —	$ 18,939	$ —	$ 18,939

	As at December 31, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	$ 48	$ 217	$ —	$ 265
Derivative financial instruments	6	1,459	—	1,465
Total of liabilities classified at fair value through profit or loss	$ 54	$ 1,676	$ —	$ 1,730
Classified at amortized cost				
Other liabilities				
Securitization liabilities	$ —	$ 443	$ —	$ 443
Mortgage debt	—	3	—	3
Debentures	—	1,407	—	1,407
Investment contract liabilities and deposits	—	4,259	—	4,259
Investment contract liabilities related to segregated funds	—	10,433	—	10,433
Total of liabilities classified at amortized cost	$ —	$ 16,545	$ —	$ 16,545

	As at January 1, 2022			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Short-selling securities	$ 94	$ 168	$ —	$ 262
Derivative financial instruments	79	418	—	497
Total of liabilities classified at fair value through profit or loss	$ 173	$ 586	$ —	$ 759
Classified at amortized cost				
Other liabilities				
Securitization liabilities	$ —	$ 780	$ —	$ 780
Mortgage debt	—	71	—	71
Debentures	—	1,484	—	1,484
Investment contract liabilities and deposits	—	4,026	—	4,026
Investment contract liabilities related to segregated funds	—	10,885	—	10,885
Total of liabilities classified at amortized cost	$ —	$ 17,246	$ —	$ 17,246

8 › Management of Financial Risks Associated with Financial Instruments and Insurance Contracts

Effective risk management rests on identifying, assessing, measuring, understanding, managing, monitoring and communicating the risks to which the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to review annually, or more frequently when deemed relevant. More information regarding the principles, responsibilities, key measures and management practices of the Company's risk management of financial instruments is provided in the shaded portion of the "Risk Management" section of the 2023 Management's Discussion and Analysis on pages 69 to 82. The shaded information in these pages is considered an integral part of these financial statements. Market risk, credit risk and liquidity risk are the most significant financial risks that the Company must manage for financial instruments and insurance contracts.

a) Market Risk

Market risk represents the risk of financial loss due to unexpected changes in the level or volatility of market prices of assets and liabilities. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

Interest Rate and Credit Spread Risk

One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate and credit spread risk is the risk of financial loss associated with fluctuations in interest rates or credit spreads. The uncertainty related to interest rate fluctuation is that economic losses or gains can occur following the disinvestment or reinvestment of future cash flows, which could impact financial instruments and insurance contracts.

The Company manages interest rate and credit spread risk through risk management and investment policies which are updated periodically. To properly manage the interest rate and credit spread risk and fund availability, the Company maintains an asset portfolio that closely replicates its liabilities until they expire as well as their risk profiles. Assets are chosen based on amount, cash flow and return in order to correspond to the characteristics of the replicated liabilities. The Company also uses derivative financial instruments as complementary management tools. The accounting policies for derivative financial instruments used for replication correspond to those used for the underlying items. Therefore, any change in the fair value of assets held for replication purposes will have an impact on the financial position of the Company and on its ability to honour its obligations. This impact will be partly offset by a variation of the replicated liabilities, based on their own characteristics. The Company's insurance contract liabilities (assets) primarily encompass insurance products and annuities which are very long-term commitments. The Company favours an investment strategy that aims to achieve a balance between optimizing after-tax return and capital protection since it is impossible to apply a complete replication strategy due to a lack of availability of fixed income securities for such maturities. Residual interest rate risk is consistent with internal risk management and investment policies.

Some insurance contracts issued by the Company contain interest rate guarantees, for which the Company hedges its more volatile exposure using derivative financial instruments. The Company does not have a significant concentration of interest rate risk arising from these guarantees.

Interest rate and credit spread risk arises, among other things, from the uncertainty of the future interest rates and credit spreads at which maturing investments will be reinvested. The following table provides information on the maturity dates of the Company's investments subject to interest rate and credit spread risks. Most other loans do not have a maturity date and are therefore excluded from the following table. They represent an amount of $838 as at December 31, 2023 ($927 as at December 31, 2022).

	2023		2022	
(in millions of dollars)	**Bonds**	**Loans**	Bonds	Loans
Due in 1 year or less	**$ 1,681**	**$ 371**	$ 810	$ 300
Due in over 1 year to 5 years	**2,172**	**1,356**	2,854	1,473
Due in over 5 years to 10 years	**3,213**	**1,011**	4,169	848
Due in over 10 years	**22,874**	**84**	18,284	156
Total	**$ 29,940**	**$ 2,822**	$ 26,117	$ 2,777

As at December 31, 2023, the effective yield is between 0.00% and 12.00% (0.00% and 12.78% as at December 31, 2022) for bonds, between 0.97% and 9.00% (0.85% and 7.50% as at December 31, 2022) for mortgages, between 0.49% and 34.99% (0.49% and 34.99% as at December 31,2022) for car loans and between 0.00% and 12.00% (0.00% and 12.00% as at December 31, 2022) for other loans.

Ultimate Discount Rate Risk
The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk
Equity risk represents the risk of changes in the value of investments and other assets due to fluctuations in stock market parameters. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of universal life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

Guarantees on Segregated Funds
A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Some products may also offer a guarantee for partial withdrawals. Due to volatility mainly from interest rates, credit spreads and stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee comes into effect and that it will then have to compensate the investor for the difference in the form of a benefit.

The Company has set up a dynamic hedging program for all minimum withdrawal guarantees and all maturity guarantees offered by the Wealth Management operating segment. In this program, a large part of the variations in the economic value of liabilities is offset by variations in assets held. The dynamic hedging program is not designed to completely eliminate the risks associated with the hedged guarantees.

A number of factors can alter the quality of the hedge and potentially lead to a gain or loss in the Income Statement. The fair value of the assets underlying the hedged guarantees represents $6,041 as at December 31, 2023 ($6,172 as at December 31, 2022). More detailed information on the dynamic hedging program is provided in the shaded portion of the “Risk Management” section of the Management’s Discussion and Analysis on page 74.

The liability related to segregated fund guarantees granted by the Company is presented in *Insurance contract liabilities*.

Exchange Rate Risk
Exchange rate risk represents the risk of changes in the value of investments and other assets due to unexpected changes in the level or volatility of currency exchange rates.

The Company has adopted a policy to avoid exposing itself to material exchange rate risk. To this end, liabilities are generally replicated with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure. To protect itself against exchange rate risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to net investments in foreign operations that have a different functional currency from the Company’s functional currency. Disclosure of hedge accounting is presented in Note 9 “Derivative Financial Instruments”. Residual foreign currency risk does not have a significant impact on the Company’s financial statements and can be assessed in the Consolidated Comprehensive Income Statements.

a) i) Market Risk Immediate Sensitivities
Interest Rate and Credit Spread Immediate Sensitivities
An analysis of the Company’s sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate parallel shift (rounded to the nearest 25 million dollars) of:

Interest rates

	2023		2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ —**	**$ (25)**	$ 50	$ (75)
Equity	**(50)**	**25**	50	(50)
Contractual service margin	**(25)**	**25**	(25)	25

Corporate bond credit spreads

	2023		2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ —**	**$ (25)**	$ —	$ (25)
Equity	**(75)**	**50**	—	(25)
Contractual service margin	**—**	**—**	—	—

Provincial government bond credit spreads

	2023		2022	
(in millions of dollars)	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	**$ (25)**	**$ 25**	$ (25)	$ —
Equity	**—**	**—**	(25)	—
Contractual service margin	**(100)**	**75**	(100)	75

Interest rate, corporate bond credit spread and provincial government bond credit spread sensitivities as at December 31, 2022 are not fully representative of the December 31, 2023 risk profile as the transition of the Company's invested asset portfolio for asset-liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.

Ultimate Discount Rate Immediate Sensitivities
An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged. The impact on contractual service margin is before tax.

The following table presents the immediate impact of an immediate change in the ultimate discount rate assumption (rounded to the nearest 10 million dollars):

	2023		2022	
(in millions of dollars)	**10 basis point decrease**	**10 basis point increase**	10 basis point decrease	10 basis point increase
Net income	**$ (50)**	**$ 50**	$ (50)	$ 60
Equity	**(50)**	**50**	(50)	60
Contractual service margin	**—**	**—**	—	—

Public Equity Immediate Sensitivities
An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis. Preferred shares are excluded from the scope of these sensitivities' analysis. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following tables present the immediate impact of an immediate change in public equity market values (rounded to the nearest 25 million dollars):

	2023			
(in millions of dollars)	**25% decrease**	**10% decrease**	**10% increase**	**25% increase**
Net income	**$ (150)**	**$ (75)**	**$ 100**	**$ 200**
Equity	**(225)**	**(100)**	**125**	**275**
Contractual service margin	**(500)**	**(200)**	**175**	**450**

	2022			
(in millions of dollars)	25% decrease	10% decrease	10% increase	25% increase
Net income	$ (75)	$ (25)	$ 25	$ 75
Equity	(75)	(25)	25	75
Contractual service margin	(425)	(175)	200	500

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the year, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities
An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure. The impact on equity includes the impact of net income and of remeasurement of post-employment benefits. The impact on contractual service margin is before tax.

The following table presents the immediate impact of an immediate change in private non-fixed income asset market values on private equity, investment property and infrastructure (rounded to the nearest 25 million dollars):

	2023		2022	
(in millions of dollars)	**10% decrease**	**10% increase**	10% decrease	10% increase
Net income	**$ (275)**	**$ 275**	$ (300)	$ 300
Equity	**(300)**	**300**	(300)	300
Contractual service margin	**—**	**—**	—	—

b) Credit Risk
Credit risk represents the risk of financial loss due to a borrower's or a counterparty's failure to repay its obligation when due.

This risk originates mainly from credit granted in the form of loans and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share the Company's policyholder commitments. The maximum credit risk associated with financial instruments corresponds to the carrying value of financial instruments presented in the Statement of Financial Position, except for the investments in associates and joint ventures.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity.

The Company also has a risk management policy and a credit risk policy that stipulate the management of impaired loans and the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The Company establishes investment and credit policies that are regularly reviewed, updated and approved by the Board of Directors. Consequently, the Company manages credit risk in accordance with these policies, which define the credit risk limits according to the characteristics of the counterparties. The Company requires prudent diversification of its credit portfolios, the use of follow-up mechanisms that rely on pricing procedures and granting of credit and a regular follow-up of its risk measurement after the initial granting of credit. The Company also requires a review and independent audit of its credit risk management program and reports the results of the follow-up, review and audit program to the Board of Directors. The credit risk related to derivative financial instruments is presented in Note 9 "Derivative Financial Instruments".

The Company has adopted a reinsurance risk management policy as mentioned in Note 14 "Management of Insurance Risk" which avoids the concentration of risk. Amounts recoverable from reinsurers are estimated in a consistent manner with the underlying insurance contract liabilities (assets) and in accordance with the reinsurance contracts. Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's reinsurance agreements are diversified such that the Company is not dependent on a single reinsurer or any single reinsurance contract.

b) i) Credit Quality Indicators
Bonds by Investment Grade

(in millions of dollars)	2023	2022
AAA	$ 1,975	$ 1,606
AA	8,691	7,920
A	11,291	9,985
BBB	7,806	6,357
BB and lower	177	249
Total	**$ 29,940**	$ 26,117

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $1,981 as at December 31, 2023 ($1,772 in 2022).

Loans

(in millions of dollars)	2023	2022
Insured mortgages	$ 972	$ 1,110
Conventional mortgages	454	482
Car loans and other loans	2,234	2,112
Total	**$ 3,660**	$ 3,704

The credit quality of loans is assessed internally, on a regular basis, when the review of the portfolio is carried out.

Derivative Financial Instruments
The Company's credit risk exposure is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument. The Company applies the same criteria in selecting counterparties as it does for investing in bonds. As at December 31, 2023, all counterparties to derivative financial instrument contracts have a credit rating of AA- or higher (AA- or higher as at December 31, 2022).

Reinsurance Contracts
The Company assesses the financial soundness of reinsurers before signing any reinsurance agreements and monitors their situation on a regular basis. It can eliminate certain risks by using letters of credit and by requiring cash deposits in trust accounts. Reinsurance agreements which do not include these kinds of risk mitigation measures are concluded with well-established and highly rated reinsurers. The Company's reinsurance contracts are with reinsurers that have a minimum credit rating of A- in a proportion of 97% as at December 31, 2023 (99% as at December 31, 2022).

b) ii) Allowance for Credit Losses
To manage credit risk, the Company evaluates, among other things, the ability of the borrower to ensure current and future contractual payments of principal and interest. The Company follows up monthly to ensure that cash flows stipulated in the contract are recovered in a timely manner and takes the necessary action to address the outstanding amounts. In addition, the Company identifies the borrowers that may have an unstable financial situation and classifies each loan at amortized cost under one of the following quality lists:

Watch list – The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the borrower require monitoring.

List of borrowers on the monitor list – The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the borrower require increased monitoring. A loan is moved from the watch list to the list of borrowers on the monitor list when changes in facts and circumstances of the borrower increase the likelihood that the loan will suffer a loss-generating event in the near future.

List of impaired loans – The collection of current and future contractual payments of principal and interest is no longer assured. Loans classified at amortized cost are presented net of an allowance for credit losses.

Significant Increase in Credit Risk
To determine whether, at the reporting date, credit risk has significantly increased since initial recognition, the Company bases its assessment on the change in default risk over the expected life of the financial instrument, which requires important judgment. To this end, the Company compares the probability of default of the financial instrument at the reporting date with the probability of default at the date of initial recognition. In making this assessment, the Company considers quantitative and qualitative information as well as information about future economic conditions to the extent that it affects the assessment of the financial instrument's probability of default.

Regardless of the outcome of the above assessment, all financial instruments that are 30 days or more past due are generally considered to have experienced a significant increase in credit risk and they are migrated to Stage 2, even if the other criteria do not indicate that a significant increase in credit risk has occurred.

Main Macroeconomic Factors

The following table shows the macroeconomic factors used to estimate the allowance for credit losses on loans. For each scenario, namely, the base scenario, optimistic scenario and pessimistic scenario, the average values of the macroeconomic factors over the next 12 months (used for Stage 1 allowance for credit losses calculations) and over the remaining forecast period (used for Stage 2 allowance for credit losses calculations) are presented below.

	2023					
	Base scenario		Optimistic scenario		Pessimistic scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Unemployment rate	6.2%	6.1%	5.3%	5.5%	7.1%	6.9%
Real GDP growth rate	0.6%	1.9%	1.8%	3.2%	(0.4)%	0.7%
Bank of Canada overnight rate	4.3%	3.0%	5.0%	4.0%	3.5%	2.0%

An increase in the unemployment rate or the Bank of Canada overnight rate will generally lead to a higher allowance for credit losses, whereas an increase in real GDP growth rate will generally lead to a lower allowance for credit losses.

As indicated in the IFRS 7 standard, the Company has not presented the information on the main macroeconomic factors used to estimate the allowance for credit losses on loans as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Sensitivity Analysis of Allowance for Credit Losses on Non-Impaired Car Loans

The following table shows a comparison of the Company's allowance for credit losses on non-impaired car loans (Stage 1 and Stage 2) based on the probability weightings of three scenarios with allowance for credit losses resulting from simulations of each scenario weighted at 100%:

	2023
(in millions of dollars)	Allowance for credit losses on non-impaired car loans
Balance as at December 31, 2023	$ 66
Scenarios	
100% base	65
100% optimistic	62
100% pessimistic	68

As indicated in the IFRS 7 standard, the Company has not presented the sensitivity analysis of the allowance for credit losses on non-impaired car loans as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Allowance for Credit Losses by Stage

The following table presents the gross carrying value and the allowance for credit losses by stage:

	2023							
	Non-impaired				Impaired			
	Stage 1		Stage 2		Stage 3		Total	
(in millions of dollars)	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses
Car loans	$ 1,269	$ (51)	$ 186	$ (15)	$ 17	$ (11)	$ 1,472	$ (77)
Other loans	840	(1)	—	—	—	—	840	(1)

	2022							
	Non-impaired				Impaired			
	Stage 1		Stage 2		Stage 3		Total	
(in millions of dollars)	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses	Gross carrying value	Allowance for credit losses
Car loans	$ 1,080	$ (40)	$ 153	$ (13)	$ 12	$ (8)	$ 1,245	$ (61)
Other loans	929	(1)	—	—	—	—	929	(1)

The following table presents the reconciliation of the allowance for credit losses for car loans:

	2023			
	Non-impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
(in millions of dollars)	12 months	Lifetime	Lifetime	Total
Allowance for credit losses as at December 31, 2022	**$ 40**	**$ 13**	**$ 8**	**$ 61**
Transfers[1]				
In (out) Stage 1	**17**	**(13)**	**(4)**	**—**
In (out) Stage 2	**(14)**	**16**	**(2)**	**—**
In (out) Stage 3	**(1)**	**(8)**	**9**	**—**
Net remeasurement of allowance for credit losses[2]	**(12)**	**9**	**52**	**49**
Purchases and originations	**27**	**—**	**—**	**27**
Derecognition[3]	**(6)**	**(2)**	**—**	**(8)**
Provision for credit losses	**11**	**2**	**55**	**68**
Write-offs	**—**	**—**	**(55)**	**(55)**
Recoveries	**—**	**—**	**3**	**3**
Allowance for credit losses as at December 31, 2023	**$ 51**	**$ 15**	**$ 11**	**$ 77**

[1] Stage transfers deemed to have taken place at the beginning of the quarter in which the transfers occurred.

[2] Includes the net remeasurement of allowance for credit losses (after transfers) attributable mainly to changes in volume and in credit quality of existing car loans as well as to changes in risk parameters and model assumptions.

[3] Reversals of allowance for credit losses arising from full or partial repayments (excluding write-offs and disposals).

	2022			
	Non-impaired		Impaired	
	Stage 1	Stage 2	Stage 3	
(in millions of dollars)	12 months	Lifetime	Lifetime	Total
Allowance for credit losses as at January 1, 2022	$ 30	$ 3	$ 4	$ 37
Transfers[1]				
In (out) Stage 1	11	(9)	(2)	—
In (out) Stage 2	(12)	14	(2)	—
In (out) Stage 3	—	(7)	7	—
Net remeasurement of allowance for credit losses[2]	—	13	39	52
Purchases and originations	17	—	—	17
Derecognition[3]	(6)	(1)	—	(7)
Provision for credit losses	10	10	42	62
Write-offs	—	—	(47)	(47)
Recoveries	—	—	9	9
Allowance for credit losses as at December 31, 2022	$ 40	$ 13	$ 8	$ 61

[1] Stage transfers deemed to have taken place at the beginning of the quarter in which the transfers occurred.

[2] Includes the net remeasurement of allowance for credit losses (after transfers) attributable mainly to changes in volume and in credit quality of existing car loans as well as to changes in risk parameters and model assumptions.

[3] Reversals of allowance for credit losses arising from full or partial repayments (excluding write-offs and disposals).

Considering their nature, other loans have a negligible allowance for credit losses due to their low credit risk.

The following table presents the gross carrying value and the allowance for credit losses related to car loans by stage:

	2023			
	Non-impaired		Impaired	
(in millions of dollars)	Stage 1	Stage 2	Stage 3	Total
Car loans[1]				
Low risk[2]	$ 1,222	$ 174	$ —	$ 1,396
Medium risk[2]	44	11	—	55
High risk[2]	3	1	—	4
Impaired	—	—	17	17
Gross carrying value	1,269	186	17	1,472
Allowance for credit losses	51	15	11	77
Carrying value	$ 1,218	$ 171	$ 6	$ 1,395

[1] The credit risk rating is reflective of a nonprime lender's risk perception.

[2] Low risk is considered near prime, medium risk is nonprime and high risk is subprime.

As indicated in the IFRS 7 standard, the Company has not presented the information on the gross carrying value and the allowance for credit losses by stage as at December 31, 2022, considering this information does not need to be presented for periods before the date of the initial application of IFRS 9.

Maximum Exposure to Credit Risk on Impaired Car Loans
The Company mitigates credit risk by registering a security lien on the underlying car being financed. As at December 31, 2023, the maximum exposure to credit risk of impaired car loans is $17 and the expected collateral value is 35% of this amount.

As indicated in the IFRS 7 standard, the Company has not presented the information on the maximum exposure to credit risk of impaired car loans, the percentage of exposure covered by guarantees and the main type of collateral held as at December 31, 2022, considering this information does not need to be presented for periods before the transition date to IFRS 9.

Foreclosed Properties
During the year ended December 31, 2023, the Company did not take possession of any properties it held as collateral on mortgages (none for the year ended December 31, 2022). Foreclosed properties that the Company still held at year-end are presented as real estate held for resale in Note 10 "Other Assets".

b) iii) Other Information on Credit Risk
Investment properties
Minimum payments receivable from rental of investment properties in future years are as follows:

(in millions of dollars)	**2023**	2022
Due in 1 year or less	**$ 81**	$ 86
Due in over 1 year to 5 years	**237**	274
Due in over 5 years	**361**	360
Total	**$ 679**	$ 720

These payments are received under operating leases and are therefore not recorded in the Statement of Financial Position.

Securitization of Mortgages
Securitization of Residential Mortgages
As part of a transaction with an unrelated counterparty carried out in 2020, the Company derecognized its securitized residential mortgages and recognized government bonds as part of its assets. The securitization liability related to these mortgages, presented in *Other liabilities*, was not derecognized because the Company is party to a total return swap agreement and remains responsible for the related liabilities. As at December 31, 2023, the carrying value and the fair value of the government bonds are $53 ($102 as at December 31, 2022).

Securitization of Multi-residential and Non-residential Mortgages
As part of the Canada Mortgage and Housing Corporation (CMHC) program, the Company transferred insured multi-residential and non-residential mortgages to an unrelated counterparty. As part of this transfer, the Company retained substantially all risks and rewards related to the transferred mortgages. For these multi-residential and non-residential mortgages, the Company is exposed to credit risk in the event of a late payment by the borrower. In this situation, the unrelated counterparty has no obligation to compensate the Company. Additionally, in the event of prepayment, any difference between the return generated by the reinvestment versus the Company's obligations to the counterparty would be assumed by the Company. Consequently, the Company continues to recognize the full carrying value of these multi-residential and non-residential mortgages. As at December 31, 2023, the carrying value and the fair value of the ceded mortgages are $245 ($365 as at December 31, 2022).

The carrying value of the liability related to the securitization of residential, multi-residential and non-residential mortgages is $259 as at December 31, 2023 ($453 as at December 31, 2022) and its fair value is $259 as at December 31, 2023 ($443 as at December 31, 2022).

Securities Lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. Collateral, which, as at December 31, 2023, represents between 102% and 105% of the fair value of the loaned securities according to their nature (between 102% and 105% as at December 31, 2022), is deposited by the borrower with a lending agent, usually a securities custodian, and retained by the lending agent until the underlying security has been returned to the Company. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is Company practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency. As at December 31, 2023, the Company had loaned securities, which are included in investments, with a carrying value of approximately $2,052 ($863 as at December 31, 2022).

Right of Offset, Collateral Held and Transferred

The Company negotiates financial instruments in accordance with the Credit Support Annex, which forms part of the International Swaps and Derivative Association's (ISDA) Master Agreement, and in accordance with the Supplemental Terms or Conditions Annex, which forms part of the Global Master Repurchase Agreement (GMRA). These agreements require guarantees by the counterparty or by the Company. The amount of assets to pledge is based on changes in fair value of financial instruments. The fair value is monitored daily. The assets pledged as collateral consist of but are not limited to cash, Treasury bills and Government of Canada bonds. The Company may receive assets as collateral from the counterparty. According to the conditions set forth in the Credit Support Annex, the Company may be authorized to sell or re-pledge the assets it receives. In addition, under the ISDA and the GMRA, the Company has the right to offset in the event of default, insolvency, bankruptcy or other early termination. The following table presents the impact of conditional compensation on the financial situation and that of other similar agreements, namely the GMRA and the Credit Support Appendices (CSA).

	2023			
	Financial instruments presented in the Statement of Financial Position	**Related amount not offset in the Statement of Financial Position**		**Net amount**
(in millions of dollars)		**Financial instruments**	**Financial collateral received/pledged**	
Financial assets				
Derivative financial instruments (Note 9)	**$ 1,787**	**$ 771**	**$ 957**	**$ 59**
Financial liabilities				
Derivative financial instruments (Note 9)	**$ 787**	**$ 771**	**$ 2**	**$ 14**
Securities sold under repurchase agreements (Note 17)	**10**	**—**	**10**	**—**
	$ 797	**$ 771**	**$ 12**	**$ 14**

	2022			
	Financial instruments presented in the Statement of Financial Position	Related amount not offset in the Statement of Financial Position		Net amount
(in millions of dollars)		Financial instruments	Financial collateral received/pledged	
Financial assets				
Derivative financial instruments (Note 9)	$ 990	$ 929	$ 12	$ 49
Financial liabilities				
Derivative financial instruments (Note 9)	$ 1,465	$ 929	$ 518	$ 18

Since the Company does not offset the financial instruments presented in the Statement of Financial Position, the net amount of the financial instruments is identical to the gross amount of the financial position.

Financial collateral received/pledged shown in the table above excludes initial margin on over-the-counter derivatives and futures contracts traded on the stock exchange, amounts related to segregated fund assets, overcollateralization as well as overcollateralized derivative financial instruments. The total value of collateral received was $1,502 as at December 31, 2023 on the assets of derivative financial instruments ($388 as at December 31, 2022). As at December 31, 2023, the Company has pledged $623 as collateral for derivative financial instrument liabilities ($880 as at December 31, 2022) and $10 on securities sold under repurchase agreements (no collateral pledged as at December 31, 2022).

Interests in Non-Consolidated Structured Entities

The Company has determined that its investments in asset-backed securities, its investments in investment fund units and its private stocks represent interests held in non-consolidated structured entities.

Asset-backed securities and mortgage securities are managed by entities that combine similar assets and sell them to investors who receive all or a portion of the cash flows generated. These entities are managed by managers who are not related to the Company.

The goal of the investment fund units in which the Company invests is to generate capital growth. These investment fund units are either managed by external managers or by internal managers through Company subsidiaries. The managers apply various investment strategies to meet their respective objectives. The Company also invests in fund units through its segregated funds.

The table below presents the non-consolidated structured entities according to their type in the Statement of Financial Position.

	2023		2022	
(in millions of dollars)	**Carrying amount**	**Maximum risk**	Carrying amount	Maximum risk
Government bonds				
Mortgage-backed securities	**$ 80**	**$ 80**	$ 144	$ 144
Corporate and other bonds				
Unsecured mortgage-backed securities	**30**	**30**	14	14
Asset-backed securities	**5**	**5**	4	4
	115	**115**	162	162
Stocks				
Investment fund units managed internally	**476**	**476**	423	423
Investment fund units managed externally	**459**	**459**	371	371
Private stocks	**2,067**	**2,067**	2,164	2,164
	3,002	**3,002**	2,958	2,958
Total	**$ 3,117**	**$ 3,117**	$ 3,120	$ 3,120

The maximum risk represents the risk of total loss that the Company could suffer on investments in non-consolidated structured entities, which equals the carrying amount of these investments in the above table.

The Company develops and sponsors mutual funds to implement investment strategies on behalf of investors, and earns management fees for providing these services. The Company does not control these mutual funds. The Company's interest in mutual funds is limited to the capital invested, if any, and fees earned. The Company's mutual fund assets under management as at December 31, 2023 were $12,204 ($11,611 as at December 31, 2022).

b) iv) Concentration Risk

Concentration risk arises when there is a concentration of investments in entities with similar characteristics, or when a substantial investment is made with a single entity. The following tables provide information about the Company's investment concentration risk.

Bonds by sector of activity

	2023	2022
(in millions of dollars)	**At fair value through profit or loss**	At fair value through profit or loss
Bonds (corporate and other)		
Financial services	**$ 4,069**	$ 4,009
Utilities	**5,640**	5,663
Consumer cyclical and non-cyclical	**3,244**	2,475
Energy	**2,179**	1,495
Industry	**1,613**	1,384
Communications	**2,134**	1,529
Other	**1,158**	1,046
Total	**$ 20,037**	$ 17,601

Loans by region and type

	2023					
(in millions of dollars)	Atlantic provinces	Quebec	Ontario	Western provinces	Outside Canada	Total
Insured mortgages						
Multi-residential	$ 9	$ 616	$ 105	$ 240	$ —	$ 970
Non-residential	—	—	—	2	—	2
	9	616	105	242	—	972
Conventional mortgages						
Multi-residential	—	35	45	18	112	210
Non-residential	18	23	77	76	50	244
	18	58	122	94	162	454
Car loans and other loans	198	727	732	577	—	2,234
Total	$ 225	$ 1,401	$ 959	$ 913	$ 162	$ 3,660

	2022					
(in millions of dollars)	Atlantic provinces	Quebec	Ontario	Western provinces	Outside Canada	Total
Insured mortgages						
Multi-residential	$ 17	$ 710	$ 115	$ 265	$ —	$ 1,107
Non-residential	—	—	—	3	—	3
	17	710	115	268	—	1,110
Conventional mortgages						
Multi-residential	—	38	47	19	116	220
Non-residential	18	24	72	84	64	262
	18	62	119	103	180	482
Car loans and other loans	172	725	675	540	—	2,112
Total	$ 207	$ 1,497	$ 909	$ 911	$ 180	$ 3,704

Investment properties by type

(in millions of dollars)	2023	2022
Office	$ 1,364	$ 1,552
Retail	103	101
Industrial	68	66
Land and other	76	85
Total	$ 1,611	$ 1,804

c) Liquidity Risk

Liquidity risk represents the risk of not being able to release its investments and other assets in a timely manner to meet its financial obligations, including collateral requirements, as they come due.

Policies and procedures are in place to mitigate the Company's exposure to liquidity risk. In particular, the Company's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Company. The policy is reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Compliance with the policy is monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Although the relatively illiquid nature of insurance contracts allows the Company to invest in less liquid but higher-yielding assets, liquidity risk arises from funds composed of illiquid assets and results from mismatches in the liquidity profiles of assets and liabilities. The Company also uses derivative financial instruments in its investment strategy. Liquidity risk from derivative financial instruments arises from the need to post collateral to cover any derivative financial instrument losses. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

The following tables present the maturities of insurance contract liabilities, reinsurance contract liabilities, financial liabilities and lease liabilities. The maturity profiles of insurance contract liabilities and reinsurance contract liabilities are based on the estimates of the undiscounted net cash flows expected to be paid out in the periods presented and exclude the liabilities for remaining coverage measured under the premium allocation approach, while the maturity profiles of financial liabilities are presented based on undiscounted contractual maturity. Lease liability maturity profiles are presented based on discounted contractual maturity. Maturity profiles of insurance contract liabilities and reinsurance contract liabilities which are in a net cash inflow position are presented at zero.

	2023				
(in millions of dollars)	**Due in 1 year or less**	**Due in over 1 year to 3 years**	**Due in over 3 years to 5 years**	**Due in over 5 years**	**Total**
Insurance contract liabilities	**$ 405**	**$ —**	**$ 16**	**$ 104,849**	**$ 105,270**
Reinsurance contract liabilities	**—**	**—**	**—**	**—**	**—**
Investment contract liabilities and deposits	**4,920**	**771**	**279**	**80**	**6,050**
Derivative financial instruments	**338**	**233**	**12**	**204**	**787**
Other financial liabilities	**1,236**	**85**	**19**	**20**	**1,360**
Securities sold under repurchase agreements	**10**	**—**	**—**	**—**	**10**
Short-selling securities	**329**	**—**	**—**	**—**	**329**
Securitization liabilities	**172**	**81**	**6**	**—**	**259**
Mortgage debt	**—**	**—**	**3**	**—**	**3**
Lease liabilities	**19**	**32**	**17**	**39**	**107**
Debentures	**—**	**—**	**—**	**1,499**	**1,499**
Total	**$ 7,429**	**$ 1,202**	**$ 352**	**$ 106,691**	**$ 115,674**

	2022				
(in millions of dollars)	Due in 1 year or less	Due in over 1 year to 3 years	Due in over 3 years to 5 years	Due in over 5 years	Total
Insurance contract liabilities	$ 238	$ —	$ —	$ 95,410	$ 95,648
Reinsurance contract liabilities	427	127	129	1,721	2,404
Investment contract liabilities and deposits	3,639	620	44	47	4,350
Derivative financial instruments	440	361	106	558	1,465
Other financial liabilities	885	111	20	44	1,060
Short-selling securities	265	—	—	—	265
Securitization liabilities	190	257	—	6	453
Mortgage debt	—	—	—	3	3
Lease liabilities	20	34	18	38	110
Debentures	—	—	—	1,500	1,500
Total	$ 6,104	$ 1,510	$ 317	$ 99,327	$ 107,258

The amounts of insurance contract liabilities that are payable on demand and the carrying amount of the related portfolios are set out below:

	2023		2022	
(in millions of dollars)	**Amount payable on demand**	**Carrying amount**	Amount payable on demand	Carrying amount
Insurance, Canada	**$ 8,156**	**$ 20,531**	$ 7,579	$ 18,026
Wealth Management	**217**	**229**	162	150
US Operations	**863**	**1,348**	803	1,320
Total	**$ 9,236**	**$ 22,108**	$ 8,544	$ 19,496

Insurance contract liabilities related to segregated funds are excluded from the amount payable on demand and from the carrying amount.

Annual interest payments are as follows:

(in millions of dollars)	**2024**	**2025**	**2026**	**2027**	**2028**
Securitization liabilities	**$ 5**	**$ 2**	**$ —**	**$ —**	**$ —**
Lease liabilities	**3**	**3**	**2**	**2**	**2**
Debentures	**54**	**54**	**54**	**54**	**54**

Information concerning off-Statement of Financial Position commitments is presented in Note 31 “Guarantees, Commitments and Contingencies”.

d) Interest Rate Benchmark Reform

On May 16, 2022, the Autorité des marchés financiers (AMF) approved the decision by the administrator of the Canadian Dollar Offered Rate (CDOR), Refinitiv Benchmark Services Limited (RBSL), to end the publication of the rate as of June 28, 2024. The Canadian Alternative Reference Rate Working Group (CARR), which brings together representatives from companies in the financial sector and from public institutions, proposed to replace the CDOR with the Canadian Overnight Repo Rate Average (CORRA), also administered by RBSL. The transition towards the use of the CORRA rate or any other alternative reference rate has begun in anticipation of the end of the publication of the CDOR rate.

The Company is exposed to an interest rate risk related to the discontinuation of the CDOR rate. Following the Company's analysis of the transition to the CORRA rate, no changes will be made to the risk management strategy as the risk has been deemed to be low. As at December 31, 2023, derivative financial instruments with a notional amount of $8,498 ($12,218 as at December 31, 2022) and financial liabilities with a carrying value of $1,097 ($1,496 as at December 31, 2022) are affected by the CDOR reform and will be transitioned to the CORRA rate.

9 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of investments. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

Swaps are over-the-counter (OTC) contractual agreements between the Company and a third party to exchange a series of cash flows based on rates applied to a notional amount. Interest rate swaps are contractual agreements in which two counterparties exchange a fixed or a floating interest rate payment based on the notional amount for a specified period, according to a frequency and denominated in the same currency. Currency rate swaps are transactions in which two counterparties exchange cash flows of the same nature and denominated in two different currencies. Total return swaps are contracts that transfer the variations in value of a reference asset, including any returns such as interest earned on these assets, in exchange for a reference return specified in the contract.

Forwards, which are OTC contractual agreements negotiated between counterparties, and futures contracts, which are traded on an organized market, are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or to sell a financial asset at a predetermined price during a given time period or at a fixed date.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at December 31, 2023 is $1,785 ($974 in 2022). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

	2023					
	Notional amount				Fair value	
(in millions of dollars)	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
Equity contracts						
Swap contracts	$ 738	$ 156	$ 67	$ 961	$ 37	$ (3)
Futures contracts	449	—	—	449	—	(15)
Options	5,528	—	—	5,528	270	(110)
Currency contracts						
Swap contracts	46	245	5,732	6,023	473	(39)
Forward contracts	7,840	—	—	7,840	269	(60)
Options	350	106	—	456	5	(5)
Interest rate contracts						
Swap contracts	1,853	3,898	7,896	13,647	272	(411)
Futures contracts	96	—	—	96	1	—
Forward contracts	8,002	200	—	8,202	459	(144)
Other derivative contracts	1	2	—	3	1	—
Total	$ 24,903	$ 4,607	$ 13,695	$ 43,205	$ 1,787	$ (787)

	2022					
	Notional amount				Fair value	
(in millions of dollars)	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
Equity contracts						
Swap contracts	$ 945	$ —	$ 80	$ 1,025	$ 16	$ (23)
Futures contracts	455	—	—	455	15	—
Options	1,499	—	—	1,499	28	(7)
Currency contracts						
Swap contracts	142	197	5,342	5,681	235	(138)
Forward contracts	5,401	456	—	5,857	40	(27)
Options	254	38	—	292	6	(6)
Interest rate contracts						
Swap contracts	434	4,407	8,901	13,742	603	(750)
Futures contracts	2	—	—	2	—	—
Forward contracts	8,618	698	—	9,316	46	(514)
Other derivative contracts[1]	1	3	—	4	1	—
Total	$ 17,751	$ 5,799	$ 14,323	$ 37,873	$ 990	$ (1,465)

[1] Embedded derivatives are not separated from the host contract since transition to IFRS 9. Embedded derivatives had a negative value of $5 on December 31, 2022.

	2023		
	Notional amount	**Fair value**	
(in millions of dollars)		**Positive**	**Negative**
Derivative financial instruments not designated as hedge accounting	**$ 40,518**	**$ 1,670**	**$ (775)**
Net investment hedge	**2,335**	**113**	**(3)**
Cash flow hedges			
Currency risk	**352**	**4**	**(9)**
Total of derivative financial instruments	**$ 43,205**	**$ 1,787**	**$ (787)**

	2022		
	Notional amount	Fair value	
(in millions of dollars)		Positive	Negative
Derivative financial instruments not designated as hedge accounting	$ 35,482	$ 977	$ (1,456)
Net investment hedge	2,103	11	—
Fair value hedges			
Interest risk	288	2	(9)
Total of derivative financial instruments	$ 37,873	$ 990	$ (1,465)

The Company has elected, as permitted under IFRS 9, to continue applying the hedge accounting requirements of IAS 39 *Financial Instruments*.

At the transition date to IFRS 9, the Company ended certain hedging relationships, which did not have a significant impact on the Financial Statements. See Note 4 "Impact of IFRS 17 and IFRS 9 Adoption".

Net Investment Hedge

As at December 31, 2023, forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year (less than 1 year as at December 31, 2022) and an average CAD/USD exchange rate of 0.7211 (0.7382 as at December 31, 2022). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the years ended December 31, 2023 and 2022, the Company did not recognize any ineffectiveness.

Fair Value Hedge

Interest Rate Risk Hedging

On January 1, 2023, the Company ended a fair value hedging relationship which aimed to reduce its exposure to changes in interest rates on financial liabilities at amortized cost. The Company used interest rate swap contracts that had maturities of less than 1 year to 6 years as at December 31, 2022. For the year ended December 31, 2022, the Company recognized a loss of $9 on the hedging instruments and a gain of $9 on the hedged items. Thus, the Company did not recognize any ineffectiveness.

Cash Flow Hedge

During the year, the Company set up a cash flow hedging relationship to manage its exposure to changes in currency rate risk on forecast transactions. The Company uses forward contracts that have maturities of less than 1 year and an average CAD/USD exchange rate of 0.7322. For the year ended December 31, 2023, the Company did not recognize any ineffectiveness.

10 › Other Assets

(in millions of dollars)	**2023**	2022
Investment income due and accrued	**$ 380**	$ 317
Due from agents	**203**	191
Accounts receivable	**1,184**	935
Deferred sales commissions	**49**	46
Prepaid expenses	**80**	69
Linearization of rents	**33**	33
Income taxes receivable	**173**	235
Funds deposited in trust	**911**	881
Post-employment benefits	**134**	—
Miscellaneous	**10**	9
Total	**$ 3,157**	$ 2,716

The amount of *Other assets* that the Company expects to receive within the next 12 months is $1,940 ($1,678 as at December 31, 2022).

11 › Fixed Assets

	Own-use properties		**Right-of-use assets**			
(in millions of dollars)	**Land**	**Real estate**	**Rental space**	**Other**	**Other fixed assets**	**Total**
Cost						
Balance as at December 31, 2021	$ 48	$ 201	$ 151	$ 12	$ 249	$ 661
Acquisitions	—	20	8	1	38	67
Disposals/write-offs	—	(1)	(12)	(1)	(23)	(37)
Transfer to investment properties	(9)	(37)	—	—	—	(46)
Effect of changes in exchange rates	—	1	1	—	2	4
Balance as at December 31, 2022	**39**	**184**	**148**	**12**	**266**	**649**
Acquisitions	**—**	**8**	**15**	**6**	**27**	**56**
Disposals/write-offs	**—**	**—**	**(6)**	**(8)**	**(4)**	**(18)**
Transfer to investment properties	**(2)**	**(20)**	**—**	**—**	**—**	**(22)**
Effect of changes in exchange rates	**—**	**(1)**	**—**	**—**	**—**	**(1)**
Balance as at December 31, 2023	**37**	**171**	**157**	**10**	**289**	**664**
Accumulated depreciation						
Balance as at December 31, 2021	—	75	45	9	163	292
Depreciation for the year	—	9	16	3	31	59
Depreciation on disposals/write-offs	—	—	(6)	—	(16)	(22)
Depreciation transferred to investment properties	—	(19)	—	—	—	(19)
Effect of changes in exchange rates	—	1	—	—	1	2
Balance as at December 31, 2022	**—**	**66**	**55**	**12**	**179**	**312**
Depreciation for the year	**—**	**7**	**17**	**2**	**30**	**56**
Depreciation on disposals/write-offs	**—**	**—**	**(3)**	**(8)**	**(2)**	**(13)**
Depreciation transferred to investment properties	**—**	**(11)**	**—**	**—**	**—**	**(11)**
Balance as at December 31, 2023	**—**	**62**	**69**	**6**	**207**	**344**
Net carrying value as at December 31, 2023	**$ 37**	**$ 109**	**$ 88**	**$ 4**	**$ 82**	**$ 320**
Net carrying value as at December 31, 2022	$ 39	$ 118	$ 93	$ —	$ 87	$ 337

12 › Intangible Assets and Goodwill

	Finite useful life		Indefinite useful life	Total
Intangible assets (in millions of dollars)	**Software applications**	**Other**		
Cost				
Balance as at December 31, 2021	$ 799	$ 1,143	$ 320	$ 2,262
Acquisitions	189	51	—	240
Disposals/write-offs	(43)	(4)	—	(47)
Effect of changes in exchange rates	2	37	—	39
Balance as at December 31, 2022	**947**	**1,227**	**320**	**2,494**
Acquisitions	**206**	**41**	**—**	**247**
Acquisition of businesses	**—**	**17**	**—**	**17**
Disposals/write-offs	**(11)**	**(4)**	**—**	**(15)**
Effect of changes in exchange rates	**(1)**	**(15)**	**—**	**(16)**
Balance as at December 31, 2023	**1,141**	**1,266**	**320**	**2,727**
Accumulated depreciation				
Balance as at December 31, 2021	284	270	—	554
Depreciation for the year	77	84	—	161
Depreciation on disposals/write-offs	(10)	(1)	—	(11)
Effect of changes in exchange rates	—	6	—	6
Balance as at December 31, 2022	**351**	**359**	**—**	**710**
Depreciation for the year	**91**	**88**	**—**	**179**
Depreciation on disposals/write-offs	**(4)**	**(2)**	**—**	**(6)**
Effect of changes in exchange rates	**—**	**(3)**	**—**	**(3)**
Balance as at December 31, 2023	**438**	**442**	**—**	**880**
Net carrying value as at December 31, 2023	**$ 703**	**$ 824**	**$ 320**	**$ 1,847**
Net carrying value as at December 31, 2022	$ 596	$ 868	$ 320	$ 1,784

Goodwill (in millions of dollars)	
Balance as at December 31, 2021	$ 1,267
Reclassification after allocation of the purchase price	3
Effect of changes in exchange rates	48
Balance as at December 31, 2022	**1,318**
Acquisition of businesses	**18**
Effect of changes in exchange rates	**(18)**
Balance as at December 31, 2023	**$ 1,318**

	2023		2022	
(in millions of dollars)	**Indefinite useful life intangible assets**	**Goodwill**	Indefinite useful life intangible assets	Goodwill
Cash generating unit				
Insurance, Canada				
Individual Insurance	**$ 6**	**$ 143**	$ 6	$ 143
Group Insurance and Dealer Services	**3**	**140**	3	140
General Insurance	**—**	**73**	—	73
Wealth Management				
Individual Wealth Management	**308**	**280**	308	280
US Operations	**3**	**668**	3	668
Investment	**—**	**14**	—	14
Total	**$ 320**	**$ 1,318**	$ 320	$ 1,318

Goodwill and intangible assets with indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances occur that may cause the recoverable amount of a CGU or CGU group to decrease to below its carrying value. The recoverable amount is the higher of the fair value less costs of sale and the value in use.

Fair value less costs of sale is assessed by using a valuation multiples methodology. Under this methodology, fair value is assessed with reference to multiples or ratios of comparable businesses or previous business acquisition transactions. Depending on the sector of activity of the CGU, the calculation of the fair value less costs of sale is based on price-to-assets-under-management, on price-to-assets-under-administration measures or multiple based on results. The fair value measurements are categorized in Level 3 of the fair value hierarchy.

The calculations of value in use rely on discounted cash flow projections before tax and represent estimated discounted amounts which take into account the present value of net shareholder assets, future profitability of in-force business and profitability of new business where insurance companies are concerned. Cash flow projections before tax are based on financial budgets approved by management and cover a 5-year period. Cash flows that go beyond this period are extrapolated using estimated growth rates. The discount rates reflect the nature and environment of the CGU.

When estimating the recoverable amount of the CGU or CGU group, the Company makes judgments and various assumptions and estimates. Any significant change in a key assumption, such as the discount rate, growth rates, the value of new sales, expected return of the financial markets, fees and, when applicable, mortality as well as lapses and any significant change in projected cash flows could result in significant changes in the recoverable amounts. The assumed discount rate for determining the value of the CGUs is between 12% and 17% before tax (between 12% and 16% before tax in 2022). As at December 31, 2023, management has determined that no reasonably possible change in the assumptions used would lead to a recoverable amount of a CGU or CGU group less than its carrying amount.

13 › Segregated Funds Net Assets

Policyholders can select from a variety of segregated funds. Although the underlying assets are registered in the name of the Company and the segregated funds policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated funds policyholder bears the risk and rewards of the funds' investment performance. However, the Company offers guarantees on some contracts and is exposed to market risk as a result of these guarantees. The Company's exposure to financial loss from segregated fund products is limited to the value of these guarantees and the related liabilities are recorded in *Insurance contract liabilities*. For contracts that generate insurance risk, the amount due to policyholders, which corresponds to the segregated funds net assets, is recorded as *Insurance contract liabilities related to segregated funds.* For contracts that do not generate insurance risk, the amount due to policyholders, which corresponds to the segregated funds net assets, is recorded as *Investment contract liabilities related to segregated funds.*

The table below comprises the underlying items for insurance contracts with direct participation features related to segregated funds as well as those for investment contracts related to segregated funds, which is the segregated funds net assets, and shows the composition. The fair value of the underlying items for insurance contracts with direct participation features, which are calculated under the variable fee approach, is equivalent to the *Insurance contract liabilities related to segregated funds* in Note 15 "Insurance Contracts and Reinsurance Contracts", and the fair value of the underlying items for investment contracts related to segregated funds, which are accounted for at amortized cost, is equivalent to the *Investment contract liabilities related to segregated funds* in Note 16 "Investment Contract Liabilities, Deposits and Investment Contract Liabilities Related to Segregated Funds".

(in millions of dollars)	**2023**	2022
Assets		
Cash and short-term investments	**$ 1,323**	$ 1,583
Bonds	**6,793**	6,416
Stocks and investment funds	**33,849**	29,465
Mortgages	**58**	56
Investment properties	**—**	13
Derivative financial instruments	**18**	11
Other assets	**210**	168
	42,251	37,712
Liabilities		
Accounts payable and accrued expenses	**414**	378
Net assets	**$ 41,837**	$ 37,334

The following table presents the change in segregated funds net assets:

(in millions of dollars)	**2023**	2022
Balance at beginning	**$ 37,334**	$ 39,577
Add:		
Amounts received from policyholders	**6,435**	6,754
Interest, dividends and other investment income	**1,430**	1,307
Change in fair value of investments	**3,267**	(5,204)
	48,466	42,434
Less:		
Amounts withdrawn by policyholders	**5,863**	4,393
Operating expenses	**766**	707
	6,629	5,100
Balance at end	**$ 41,837**	$ 37,334

	2023	2022
Type of funds		
Equity	**50%**	48%
Balanced	**33%**	34%
Fixed income	**16%**	16%
Money market	**1%**	2%
Total	**100%**	100%

Equity funds, which range from low volatility equity funds to aggressive equity funds, invest in a varying mix of Canadian, U.S. and global equities. Balanced funds consist of fixed income securities and a larger equity investment component. Fixed income funds primarily consist of investments in fixed income securities and, for some funds, a small proportion in high-yield bonds. Money market funds consist of investments that have a term of maturity of less than one year.

14 › Management of Insurance Risk

Insurance risk is the risk of financial loss due to unexpected changes in pricing or reserving assumptions. It may arise at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the *Net insurance contract liabilities (assets)*. The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

When designing and pricing products, insurance risk may result from inappropriate pricing resulting in insufficient returns as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience regarding several factors, such as policyholder behaviour, mortality, morbidity and expenses. Insurance risk may also arise when the selection of the risks to be insured or the settlement of claims is inconsistent with the design and pricing of the product. When calculating the *Net insurance contract liabilities (assets)*, a financial loss could arise in the event of inadequate use of experience results to establish assumptions.

Insurance Risk

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates or premium payment pattern compared to assumptions.

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Controls and Processes to Manage Insurance Risk

Product Design and Pricing

For certain types of contracts, insurance risk may be shared with or transferred to the policyholder through a participating and experience refunds policy, or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk, thus the need to carry out a proper valuation of the commitments in this regard.

The Company has adopted a pricing and product design policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

At this stage in the life of a product, risk is primarily managed through a regular analysis of the pricing adequacy of Company products as compared to recent experience. The pricing assumptions are revised as needed or the various options offered by the reinsurance market are utilized.

Underwriting and Claims Adjudication

Given the geographic diversity of its clients, the Company is not heavily exposed to concentration risk with respect to individuals or groups. The largest portion of the Company's mortality risk is in Canada.

The Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds. They are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Calculation of Net Insurance Contract Liabilities (Assets)

In any insurance company, calculating the *Net insurance contract liabilities (assets)* is a complex process that relies on financial projection models and assumptions to determine the value of the amounts that will be paid in the future to policyholders and beneficiaries. Internal reviews of changes in technical results and external sources of information are monitored for the purpose of revising the assumptions, which may result in revisions of *Net insurance contract liabilities (assets)*.

The Company has developed a policy that outlines the documentation and the control rules needed to ensure that the accepted actuarial valuation practices defined by the CIA (or any another relevant organization), as well as the Company's standards, are followed and applied consistently in all operating segments and in all territories where the Company conducts business.

Every year, the appointed actuary of Industrial Alliance Insurance and Financial Services Inc. (iA Insurance), a subsidiary of the Company, values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

Reinsurance

In the normal course of business, the Company uses reinsurance agreements to limit its risk on every life insured. The Company adopted a reinsurance risk management policy whereby maximum benefit amounts, which vary by business unit, are established for life and health insurance.

Although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit associated with the amounts ceded to reinsurers in the event that the reinsurers are unable to meet their obligations.

Sensitivity Analysis

The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following sensitivity analysis shows the immediate impact on net income and equity as well as on the contractual service margin of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

The following table presents the immediate sensitivities of significant assumptions used for the valuation of insurance contract liabilities (assets), gross and net of reinsurance. These sensitivities are adjusted to reflect the adjustability of products, when applicable, and are rounded to the nearest 5 million dollars.

	2023			
	Net income and Equity		**Contractual service margin**	
(in millions of dollars)	**Gross**	**Net**	**Gross**	**Net**
Policyholder behaviour				
Impact of 10% deterioration	**$ —**	**$ 5**	**$ (525)**	**$ (580)**
Mortality				
Impact of 2% deterioration for insurance products	**(35)**	**(45)**	**(270)**	**(65)**
Impact of 2% deterioration for annuity products	**5**	**—**	**(45)**	**(40)**
Morbidity				
Impact of 5% deterioration	**(35)**	**(35)**	**(90)**	**(55)**
Expenses				
Impact of 5% deterioration	**—**	**—**	**(100)**	**(100)**

	2022			
	Net income and Equity		Contractual service margin	
(in millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration	$ 30	$ 30	$ (535)	$ (570)
Mortality				
Impact of 2% deterioration for insurance products	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration	—	—	(100)	(100)

The 10% deterioration of policyholder behaviour assumption is expressed assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.

The 2% deterioration of mortality assumption related to insurance products is expressed assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets), while the one related to annuity products is expressed assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).

The 5% deterioration of morbidity assumption is expressed assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active.

The 5% deterioration of expenses assumption is expressed assuming 105% of expected expenses for servicing and maintaining in-force policies.

15 › Insurance Contracts and Reinsurance Contracts

A) Changes in Insurance Contract and Reinsurance Contract Balances

a) Carrying Amount of Portfolios of Insurance Contracts and Reinsurance Contracts

	As at December 31, 2023			
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Total**
Insurance contracts				
Insurance contract liabilities	**$ 24,509**	**$ 5,723**	**$ 3,398**	**$ 33,630**
Insurance contract liabilities related to segregated funds	**—**	**30,201**	**—**	**30,201**
	24,509	**35,924**	**3,398**	**63,831**
Insurance contract assets	**167**	**—**	**—**	**167**
Reinsurance contracts				
Reinsurance contract assets	**191**	**54**	**2,067**	**2,312**
Reinsurance contract liabilities	**8**	**—**	**—**	**8**

	As at December 31, 2022			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Total
Insurance contracts				
Insurance contract liabilities	$ 21,590	$ 4,885	$ 3,210	$ 29,685
Insurance contract liabilities related to segregated funds	—	26,901	—	26,901
	21,590	31,786	3,210	56,586
Insurance contract assets	215	—	—	215
Reinsurance contracts				
Reinsurance contract assets	176	52	1,820	2,048
Reinsurance contract liabilities	233	—	—	233

	As at January 1, 2022			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Total
Insurance contracts				
Insurance contract liabilities	$ 28,422	$ 5,462	$ 3,188	$ 37,072
Insurance contract liabilities related to segregated funds	—	28,692	—	28,692
	28,422	34,154	3,188	65,764
Insurance contract assets	123	—	—	123
Reinsurance contracts				
Reinsurance contract assets	169	67	1,654	1,890
Reinsurance contract liabilities	129	—	—	129

b) Roll-Forward of Net Insurance Contract Liabilities (Assets) by Remaining Coverage and Incurred Claims

	2023					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Insurance contract liabilities	$ 27,026	$ 237	$ 2,197	$ 216	$ 9	$ 29,685
Insurance contract assets	(272)	3	54	—	—	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at beginning	53,655	240	2,251	216	9	56,371
Insurance service result						
Insurance revenue						
Contracts under the fair value transition approach	(2,653)	—	—	—	—	(2,653)
Other contracts	(3,087)	—	—	—	—	(3,087)
	(5,740)	—	—	—	—	(5,740)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(69)	2,879	1,223	6	4,039
Amortization of insurance acquisition cash flows	577	—	—	—	—	577
Losses and reversal of losses on onerous contracts	—	250	—	—	—	250
Changes to liabilities for incurred claims	—	—	30	4	(7)	27
	577	181	2,909	1,227	(1)	4,893
Finance expenses (income) from insurance contracts	6,709	15	109	7	1	6,841
Amounts recognized in net income	1,546	196	3,018	1,234	—	5,994
Investment components and premium refunds	(4,829)	—	4,829	—	—	—
Effect of change in exchange rates	(86)	(1)	(4)	(2)	—	(93)
	(4,915)	(1)	4,825	(2)	—	(93)
Cash flows						
Premiums received, net of premium refunds	12,040	—	—	—	—	12,040
Claims and other insurance service expenses paid, including investment components	—	—	(7,670)	(1,190)	—	(8,860)
Insurance acquisition cash flows	(1,788)	—	—	—	—	(1,788)
	10,252	—	(7,670)	(1,190)	—	1,392
Net insurance contract liabilities (assets) at end	$ 60,538	$ 435	$ 2,424	$ 258	$ 9	$ 63,664
Balance at end						
Insurance contract liabilities	$ 30,562	$ 435	$ 2,366	$ 258	$ 9	$ 33,630
Insurance contract assets	(225)	—	58	—	—	(167)
Insurance contract liabilities related to segregated funds	30,201	—	—	—	—	30,201
Net insurance contract liabilities (assets) at end	$ 60,538	$ 435	$ 2,424	$ 258	$ 9	$ 63,664

	2022					
	Liabilities for remaining coverage		Liabilities for incurred claims			
	Excluding loss component	Loss component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Insurance contract liabilities	$ 34,689	$ 4	$ 2,231	$ 142	$ 6	$ 37,072
Insurance contract assets	(188)	—	65	—	—	(123)
Insurance contract liabilities related to segregated funds	28,692	—	—	—	—	28,692
Net insurance contract liabilities (assets) at beginning	63,193	4	2,296	142	6	65,641
Insurance service result						
Insurance revenue						
Contracts under the fair value transition approach	(3,193)	—	—	—	—	(3,193)
Other contracts	(1,945)	—	—	—	—	(1,945)
	(5,138)	—	—	—	—	(5,138)
Insurance service expenses						
Incurred claims and other insurance service expenses	—	(11)	2,497	988	7	3,481
Amortization of insurance acquisition cash flows	332	—	—	—	—	332
Losses and reversal of losses on onerous contracts	—	245	—	—	—	245
Changes to liabilities for incurred claims	—	—	50	(1)	(4)	45
	332	234	2,547	987	3	4,103
Finance expenses (income) from insurance contracts	(11,330)	1	(89)	(2)	—	(11,420)
Amounts recognized in net income	(16,136)	235	2,458	985	3	(12,455)
Investment components and premium refunds	(3,409)	—	3,409	—	—	—
Effect of change in exchange rates	211	1	9	2	—	223
	(3,198)	1	3,418	2	—	223
Cash flows						
Premiums received, net of premium refunds	11,584	—	—	—	—	11,584
Claims and other insurance service expenses paid, including investment components	—	—	(5,921)	(913)	—	(6,834)
Insurance acquisition cash flows	(1,788)	—	—	—	—	(1,788)
	9,796	—	(5,921)	(913)	—	2,962
Net insurance contract liabilities (assets) at end	$ 53,655	$ 240	$ 2,251	$ 216	$ 9	$ 56,371
Balance at end						
Insurance contract liabilities	$ 27,026	$ 237	$ 2,197	$ 216	$ 9	$ 29,685
Insurance contract assets	(272)	3	54	—	—	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at end	$ 53,655	$ 240	$ 2,251	$ 216	$ 9	$ 56,371

c) Roll-Forward of Net Insurance Contract Liabilities (Assets) by Measurement Component

The following tables disclose the reconciliation by measurement component for insurance contracts not measured under the PAA:

	2023					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Insurance contract liabilities	$ 19,540	$ 2,971	$ 4,708	$ 496	$ 5,204	$ 27,715
Insurance contract assets	(324)	27	5	77	82	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at beginning	46,117	2,998	4,713	573	5,286	54,401
Insurance service result						
Changes that relate to current services						
Contractual service margin recognized for services provided	—	—	(445)	(140)	(585)	(585)
Change in risk adjustment for non-financial risk for risk expired	—	(302)	—	—	—	(302)
Experience adjustments	7	—	—	—	—	7
Changes that relate to future services						
Contracts initially recognized in the year	(867)	338	—	596	596	67
Changes in estimates that adjust the contractual service margin	(401)	96	351	(46)	305	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	140	19	—	—	—	159
Changes that relate to past services						
Changes to liabilities for incurred claims	26	4	—	—	—	30
	(1,095)	155	(94)	410	316	(624)
Finance expenses (income) from insurance contracts	6,375	299	27	24	51	6,725
Amounts recognized in net income	5,280	454	(67)	434	367	6,101
Effect of change in exchange rates	(21)	(7)	(11)	(2)	(13)	(41)
Cash flows	1,043	—	—	—	—	1,043
Net insurance contract liabilities (assets) at end	$ 52,419	$ 3,445	$ 4,635	$ 1,005	$ 5,640	$ 61,504
Balance at end						
Insurance contract liabilities	$ 22,749	$ 3,416	$ 4,511	$ 794	$ 5,305	$ 31,470
Insurance contract assets	(531)	29	124	211	335	(167)
Insurance contract liabilities related to segregated funds	30,201	—	—	—	—	30,201
Net insurance contract liabilities (assets) at end	$ 52,419	$ 3,445	$ 4,635	$ 1,005	$ 5,640	$ 61,504

	2022					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Insurance contract liabilities	$ 26,404	$ 3,579	$ 5,559	$ —	$ 5,559	$ 35,542
Insurance contract assets	(197)	32	8	34	42	(123)
Insurance contract liabilities related to segregated funds	28,692	—	—	—	—	28,692
Net insurance contract liabilities (assets) at beginning	54,899	3,611	5,567	34	5,601	64,111
Insurance service result						
Changes that relate to current services						
Contractual service margin recognized for services provided	—	—	(473)	(54)	(527)	(527)
Change in risk adjustment for non-financial risk for risk expired	—	(288)	—	—	—	(288)
Experience adjustments	(208)	—	—	—	—	(208)
Changes that relate to future services						
Contracts initially recognized in the year	(967)	323	—	696	696	52
Changes in estimates that adjust the contractual service margin	46	389	(321)	(114)	(435)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	552	(366)	—	—	—	186
Changes that relate to past services						
Changes to liabilities for incurred claims	44	6	—	—	—	50
	(533)	64	(794)	528	(266)	(735)
Finance expenses (income) from insurance contracts	(10,711)	(693)	(94)	9	(85)	(11,489)
Amounts recognized in net income	(11,244)	(629)	(888)	537	(351)	(12,224)
Effect of change in exchange rates	61	16	34	2	36	113
Cash flows	2,401	—	—	—	—	2,401
Net insurance contract liabilities (assets) at end	$ 46,117	$ 2,998	$ 4,713	$ 573	$ 5,286	$ 54,401
Balance at end						
Insurance contract liabilities	$ 19,540	$ 2,971	$ 4,708	$ 496	$ 5,204	$ 27,715
Insurance contract assets	(324)	27	5	77	82	(215)
Insurance contract liabilities related to segregated funds	26,901	—	—	—	—	26,901
Net insurance contract liabilities (assets) at end	$ 46,117	$ 2,998	$ 4,713	$ 573	$ 5,286	$ 54,401

d) Roll-Forward of Net Reinsurance Contract Assets (Liabilities) by Remaining Coverage and Incurred Claims

	2023					
	Assets for remaining coverage		Assets for incurred claims			
	Excluding loss-recovery component	Loss-recovery component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Reinsurance contract assets	$ 1,986	$ 3	$ 68	$ (15)	$ 6	$ 2,048
Reinsurance contract liabilities	(364)	82	49	—	—	(233)
Net reinsurance contract assets (liabilities) at beginning	1,622	85	117	(15)	6	1,815
Net income (expenses) from reinsurance contracts						
Allocation of reinsurance premiums paid	(1,199)	—	—	—	—	(1,199)
Amounts recoverable from reinsurers	—	139	620	447	(1)	1,205
	(1,199)	139	620	447	(1)	6
Finance income (expenses) from reinsurance contracts	149	3	2	1	—	155
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Amounts recognized in net income	(1,050)	142	622	448	(1)	161
Effect of change in exchange rates	(56)	—	(2)	2	—	(56)
Cash flows						
Premiums paid	1,340	—	—	—	—	1,340
Amounts received	—	—	(641)	(315)	—	(956)
	1,340	—	(641)	(315)	—	384
Net reinsurance contract assets (liabilities) at end	$ 1,856	$ 227	$ 96	$ 120	$ 5	$ 2,304
Balance at end						
Reinsurance contract assets	$ 1,759	$ 221	$ 207	$ 120	$ 5	$ 2,312
Reinsurance contract liabilities	97	6	(111)	—	—	(8)
Net reinsurance contract assets (liabilities) at end	$ 1,856	$ 227	$ 96	$ 120	$ 5	$ 2,304

	2022					
	Assets for remaining coverage		Assets for incurred claims			
	Excluding loss-recovery component	Loss-recovery component	Contracts not under the PAA	Contracts under the PAA		Total
(in millions of dollars)				Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Balance at beginning						
Reinsurance contract assets	$ 1,803	$ 1	$ 56	$ 24	$ 6	$ 1,890
Reinsurance contract liabilities	(220)	—	91	—	—	(129)
Net reinsurance contract assets (liabilities) at beginning	1,583	1	147	24	6	1,761
Net income (expenses) from reinsurance contracts						
Allocation of reinsurance premiums paid	(1,235)	—	—	—	—	(1,235)
Amounts recoverable from reinsurers	—	84	525	356	(1)	964
	(1,235)	84	525	356	(1)	(271)
Finance income (expenses) from reinsurance contracts	(116)	—	(1)	2	1	(114)
Effect of changes in non-performance risk of reinsurers	(1)	—	—	—	—	(1)
Amounts recognized in net income	(1,352)	84	524	358	—	(386)
Effect of change in exchange rates	129	—	4	(12)	—	121
Cash flows						
Premiums paid	1,262	—	—	—	—	1,262
Amounts received	—	—	(558)	(385)	—	(943)
	1,262	—	(558)	(385)	—	319
Net reinsurance contract assets (liabilities) at end	$ 1,622	$ 85	$ 117	$ (15)	$ 6	$ 1,815
Balance at end						
Reinsurance contract assets	$ 1,986	$ 3	$ 68	$ (15)	$ 6	$ 2,048
Reinsurance contract liabilities	(364)	82	49	—	—	(233)
Net reinsurance contract assets (liabilities) at end	$ 1,622	$ 85	$ 117	$ (15)	$ 6	$ 1,815

e) Roll-Forward of Net Reinsurance Contract Assets (Liabilities) by Measurement Component

The following tables disclose the reconciliation by measurement component for reinsurance contracts not measured under the PAA:

	2023					
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**			**Total**
(in millions of dollars)			**Contracts under the fair value transition approach**	**Other contracts**	**Total contractual service margin**	
Balance at beginning						
Reinsurance contract assets	$ 769	$ 58	$ 10	$ (29)	$ (19)	$ 808
Reinsurance contract liabilities	(738)	774	(179)	(90)	(269)	(233)
Net reinsurance contract assets (liabilities) at beginning	31	832	(169)	(119)	(288)	575
Net income (expenses) from reinsurance contracts						
Changes that relate to current services						
Contractual service margin recognized for services received	—	—	14	10	24	24
Change in risk adjustment for non-financial risk for risk expired	—	(62)	—	—	—	(62)
Experience adjustments	61	—	—	—	—	61
Changes that relate to future services						
Contracts initially recognized in the year	(44)	52	—	(6)	(6)	2
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	—	—	(4)	(1)	(5)	(5)
Changes in estimates that adjust the contractual service margin	(10)	13	51	(54)	(3)	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	125	9	—	—	—	134
Changes that relate to past services						
Changes to amounts recoverable on incurred claims	(1)	(1)	—	—	—	(2)
	131	11	61	(51)	10	152
Finance income (expenses) from reinsurance contracts	(15)	97	(3)	(5)	(8)	74
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Amounts recognized in net income	116	108	58	(56)	2	226
Effect of change in exchange rates	(21)	(1)	—	1	1	(21)
Cash flows	50	—	—	—	—	50
	29	(1)	—	1	1	29
Net reinsurance contract assets (liabilities) at end	$ 176	$ 939	$ (111)	$ (174)	$ (285)	$ 830
Balance at end						
Reinsurance contract assets	$ 230	$ 933	$ (110)	$ (215)	$ (325)	$ 838
Reinsurance contract liabilities	(54)	6	(1)	41	40	(8)
Net reinsurance contract assets (liabilities) at end	$ 176	$ 939	$ (111)	$ (174)	$ (285)	$ 830

	2022					
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin			Total
(in millions of dollars)			Contracts under the fair value transition approach	Other contracts	Total contractual service margin	
Balance at beginning						
Reinsurance contract assets	$ 865	$ 39	$ (25)	$ —	$ (25)	$ 879
Reinsurance contract liabilities	(1,338)	1,090	119	—	119	(129)
Net reinsurance contract assets (liabilities) at beginning	(473)	1,129	94	—	94	750
Net income (expenses) from reinsurance contracts						
Changes that relate to current services						
Contractual service margin recognized for services received	—	—	(3)	2	(1)	(1)
Change in risk adjustment for non-financial risk for risk expired	—	(58)	—	—	—	(58)
Experience adjustments	(103)	—	—	—	—	(103)
Changes that relate to future services						
Contracts initially recognized in the year	(56)	75	—	(16)	(16)	3
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	—	—	(1)	(1)	(2)	(2)
Changes in estimates that adjust the contractual service margin	341	22	(261)	(102)	(363)	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	191	(110)	—	—	—	81
Changes that relate to past services						
Changes to amounts recoverable on incurred claims	(2)	(1)	—	—	—	(3)
	371	(72)	(265)	(117)	(382)	(83)
Finance income (expenses) from reinsurance contracts	57	(227)	3	(1)	2	(168)
Effect of changes in non-performance risk of reinsurers	(1)	—	—	—	—	(1)
Amounts recognized in net income	427	(299)	(262)	(118)	(380)	(252)
Effect of change in exchange rates	54	2	(1)	(1)	(2)	54
Cash flows	23	—	—	—	—	23
	77	2	(1)	(1)	(2)	77
Net reinsurance contract assets (liabilities) at end	$ 31	$ 832	$ (169)	$ (119)	$ (288)	$ 575
Balance at end						
Reinsurance contract assets	$ 769	$ 58	$ 10	$ (29)	$ (19)	$ 808
Reinsurance contract liabilities	(738)	774	(179)	(90)	(269)	(233)
Net reinsurance contract assets (liabilities) at end	$ 31	$ 832	$ (169)	$ (119)	$ (288)	$ 575

B) Insurance Revenue

	2023			
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Total**
Contracts not measured under the premium allocation approach				
Changes in liabilities for remaining coverage				
Contractual service margin recognized for services provided	**$ 275**	**$ 245**	**$ 65**	**$ 585**
Change in risk adjustment for non-financial risk for risk expired	**230**	**32**	**40**	**302**
Expected incurred claims and other insurance service expenses	**1,925**	**629**	**249**	**2,803**
Recovery of insurance acquisition cash flows	**217**	**33**	**67**	**317**
	2,647	**939**	**421**	**4,007**
Contracts measured under the premium allocation approach	**860**	**—**	**873**	**1,733**
Total insurance revenue	**$ 3,507**	**$ 939**	**$ 1,294**	**$ 5,740**

	2022			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Total
Contracts not measured under the premium allocation approach				
Changes in liabilities for remaining coverage				
Contractual service margin recognized for services provided	$ 253	$ 210	$ 64	$ 527
Change in risk adjustment for non-financial risk for risk expired	221	34	33	288
Expected incurred claims and other insurance service expenses	1,801	555	338	2,694
Recovery of insurance acquisition cash flows	90	15	21	126
	2,365	814	456	3,635
Contracts measured under the premium allocation approach	769	—	734	1,503
Total insurance revenue	$ 3,134	$ 814	$ 1,190	$ 5,138

C) Effect of Contracts Initially Recognized

The following tables present the effect on the measurement components arising from the initial recognition of insurance contracts and reinsurance contracts not measured under the PAA:

a) Insurance Contracts

Insurance, Canada

	2023				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 2,583	$ 682	$ —	$ —	$ 3,265
Insurance acquisition cash flows	892	61	—	—	953
	3,475	743	—	—	4,218
Estimates of present value of future cash inflows	(4,026)	(726)	—	—	(4,752)
Risk adjustment for non-financial risk	181	40	—	—	221
Contractual service margin	370	—	—	—	370
Insurance contract liabilities on initial recognition	$ —	$ 57	$ —	$ —	$ 57

Wealth Management

	2023				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 1,249	$ 143	$ —	$ —	$ 1,392
Insurance acquisition cash flows	176	3	—	—	179
	1,425	146	—	—	1,571
Estimates of present value of future cash inflows	(1,644)	(150)	—	—	(1,794)
Risk adjustment for non-financial risk	50	5	—	—	55
Contractual service margin	169	—	—	—	169
Insurance contract liabilities on initial recognition	$ —	$ 1	$ —	$ —	$ 1

US Operations

	2023				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 474	$ 171	$ —	$ —	$ 645
Insurance acquisition cash flows	265	87	—	—	352
	739	258	—	—	997
Estimates of present value of future cash inflows	(843)	(264)	—	—	(1,107)
Risk adjustment for non-financial risk	47	15	—	—	62
Contractual service margin	57	—	—	—	57
Insurance contract liabilities on initial recognition	$ —	$ 9	$ —	$ —	$ 9

Insurance, Canada

	2022				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 2,526	$ 673	$ —	$ —	$ 3,199
Insurance acquisition cash flows	875	106	—	—	981
	3,401	779	—	—	4,180
Estimates of present value of future cash inflows	(4,061)	(756)	—	—	(4,817)
Risk adjustment for non-financial risk	194	21	—	—	215
Contractual service margin	466	—	—	—	466
Insurance contract liabilities on initial recognition	$ —	$ 44	$ —	$ —	$ 44

Wealth Management

	2022				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 1,367	$ —	$ —	$ —	$ 1,367
Insurance acquisition cash flows	181	—	—	—	181
	1,548	—	—	—	1,548
Estimates of present value of future cash inflows	(1,781)	—	—	—	(1,781)
Risk adjustment for non-financial risk	58	—	—	—	58
Contractual service margin	175	—	—	—	175
Insurance contract liabilities on initial recognition	$ —	$ —	$ —	$ —	$ —

US Operations

	2022				
	Contracts issued		Contracts acquired		
(in millions of dollars)	Non-Onerous	Onerous	Non-Onerous	Onerous	Total
Estimates of present value of future cash outflows					
Claims and other insurance service expenses payable	$ 374	$ 173	$ —	$ —	$ 547
Insurance acquisition cash flows	197	102	—	—	299
	571	275	—	—	846
Estimates of present value of future cash inflows	(662)	(281)	—	—	(943)
Risk adjustment for non-financial risk	36	14	—	—	50
Contractual service margin	55	—	—	—	55
Insurance contract liabilities on initial recognition	$ —	$ 8	$ —	$ —	$ 8

b) Reinsurance Contracts

Insurance, Canada

	2023		
(in millions of dollars)	**Contracts initiated**	**Contracts acquired**	**Total**
Estimates of present value of future cash outflows	**$ (503)**	**$ —**	**$ (503)**
Estimates of present value of future cash inflows	**466**	**—**	**466**
Risk adjustment for non-financial risk	**41**	**—**	**41**
Contractual service margin	**(4)**	**—**	**(4)**
Reinsurance contract assets on initial recognition	**$ —**	**$ —**	**$ —**

US Operations

	2023		
(in millions of dollars)	**Contracts initiated**	**Contracts acquired**	**Total**
Estimates of present value of future cash outflows	**$ (171)**	**$ —**	**$ (171)**
Estimates of present value of future cash inflows	**164**	**—**	**164**
Risk adjustment for non-financial risk	**11**	**—**	**11**
Contractual service margin	**(2)**	**—**	**(2)**
Reinsurance contract assets on initial recognition	**$ 2**	**$ —**	**$ 2**

Insurance, Canada

	2022		
(in millions of dollars)	Contracts initiated	Contracts acquired	Total
Estimates of present value of future cash outflows	$ (558)	$ —	$ (558)
Estimates of present value of future cash inflows	503	—	503
Risk adjustment for non-financial risk	47	—	47
Contractual service margin	10	—	10
Reinsurance contract assets on initial recognition	$ 2	$ —	$ 2

US Operations

	2022		
(in millions of dollars)	Contracts initiated	Contracts acquired	Total
Estimates of present value of future cash outflows	$ (459)	$ —	$ (459)
Estimates of present value of future cash inflows	458	—	458
Risk adjustment for non-financial risk	28	—	28
Contractual service margin	(26)	—	(26)
Reinsurance contract assets on initial recognition	$ 1	$ —	$ 1

The table of Wealth Management is not shown as there is no reinsurance contract open to new transfer of insurance risk for the years ended December 31, 2023 and 2022.

D) Expected Recognition of the Contractual Service Margin in Net Income

The following tables present expected timing of CSM amortization in profit (loss):

	2023				
(in millions of dollars)	**1 year or less**	**Over 1 year to 5 years**	**Over 5 years to 10 years**	**Over 10 years**	**Total**
Insurance contracts					
Insurance, Canada	**$ 260**	**$ 672**	**$ 575**	**$ 1,338**	**$ 2,845**
Wealth Management	**252**	**826**	**650**	**637**	**2,365**
US Operations	**58**	**150**	**167**	**55**	**430**
	$ 570	**$ 1,648**	**$ 1,392**	**$ 2,030**	**$ 5,640**
Reinsurance contracts					
Insurance, Canada	**$ 16**	**$ 60**	**$ 64**	**$ 107**	**$ 247**
Wealth Management	**(1)**	**(3)**	**(3)**	**(11)**	**(18)**
US Operations	**5**	**19**	**32**	**—**	**56**
	$ 20	**$ 76**	**$ 93**	**$ 96**	**$ 285**

	2022				
(in millions of dollars)	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
Insurance contracts					
Insurance, Canada	$ 242	$ 643	$ 538	$ 1,325	$ 2,748
Wealth Management	215	706	622	481	2,024
US Operations	67	177	206	64	514
	$ 524	$ 1,526	$ 1,366	$ 1,870	$ 5,286
Reinsurance contracts					
Insurance, Canada	$ 19	$ 60	$ 70	$ 119	$ 268
Wealth Management	(1)	(4)	(4)	(1)	(10)
US Operations	4	11	14	1	30
	$ 22	$ 67	$ 80	$ 119	$ 288

E) Net Investment Result

The following table presents sources of finance income and expenses for the general fund recognized in net income:

(in millions of dollars)	**2023**	2022
Net investment income		
Interest and other investment income	**$ 1,946**	$ 1,864
Change in fair value of investments	**2,037**	(10,135)
	3,983	(8,271)
Finance income (expenses) from insurance contracts		
Interest accreted	**(1,509)**	(796)
Effect of changes in interest rates and other financial assumptions	**(1,776)**	8,827
Changes in fair value of underlying items in insurance contracts with direct participation features	**(55)**	239
Effects of risk mitigation option	**33**	153
	(3,307)	8,423
Finance income (expenses) from reinsurance contracts		
Interest accreted	**89**	65
Effect of changes in interest rates and other financial assumptions	**66**	(179)
Effect of changes in non-performance risk of reinsurers	**—**	(1)
	155	(115)
(Increase) decrease in investment contract liabilities and interest on deposits	**(151)**	(36)
Net investment result recognized in net income	**$ 680**	$ 1

The following table discloses the finance income (expenses) arising from insurance and investment contract liabilities related to segregated funds:

(in millions of dollars)	**2023**	2022
Finance income (expenses) related to segregated funds liabilities		
Insurance contracts	**$ (3,534)**	$ 2,997
Investment contracts	**(1,163)**	900
Total	**$ (4,697)**	$ 3,897

F) Important Judgments in the Measurement of Insurance Contracts and Reinsurance Contracts

Estimates and underlying assumptions made to measure insurance contracts and reinsurance contracts require important judgment. The methods and inputs used by the Company to establish the most important estimates and assumptions are described below.

a) Fulfilment Cash Flows

i) Estimate of Future Cash Flows

When estimating the future cash flows within the boundary of a contract, the Company determines the expected value of a range of scenarios that reflect the full range of possible outcomes. The assumptions take into consideration current circumstances, historical data from the Company, the industry or the sector, the relationship between the historical and anticipated future results as well as other relevant factors. The methods used to establish the most significant assumptions when estimating future cash flows are described below. A sensitivity analysis is presented in Note 14 “Management of Insurance Risk” in the “Sensitivity Analysis” section.

Policyholder Behaviour

Policyholder behaviour relates to all the choices policyholders can make regarding their insurance contract. Among those choices, the following are more significant in the valuation of the estimate of future cash flows: lapse (including partial and full withdrawals from segregated funds contracts), premium payment patterns on universal life contracts and new deposit patterns on segregated funds contracts.

Lapse refers to the termination of the contract that occurs when the policyholder has stopped paying premiums or when the policyholder voluntarily surrenders their contract, or to partial or full withdrawals from segregated funds contracts. Long-term lapse rate assumptions take into account the usually lower contract lapse rates with respect to lapse-supported products compared to other products. Expected lapse rate assumptions are generally based on the Company’s recent lapse experience and are adjusted to take into account industry experience where the Company’s experience is limited.

Since policyholders of universal life and of segregated funds contracts have flexibility on the amount and timing of premium payments and new deposits, the Company establishes assumptions with respect to premium payment and new deposit patterns. The premium payment patterns can vary depending on the payment frequency, the level of the target premium compared to the minimum premium, the type of policy insurance costs (level or annually increasing), the type of product and the year of issue. The new deposit patterns can vary depending on the type of contract, the type of guarantee, the year of issue and the age of the policyholder. The Company studies premium payment and new deposit pattern experience to come up with assumptions for such contracts. When this experience is not sufficiently representative, it is adjusted to take into account industry experience.

Mortality and Morbidity

Mortality represents the occurrence of death in a given population while morbidity represents the occurrence of accident or illness among insured risks. The Company uses several mortality and morbidity assumptions to capture the difference in the level of risk of the insureds. These assumptions are based on recent technical results of the Company. When those are not sufficiently representative, technical results of the industry are also used.

For individual life insurance contracts, the Company’s mortality experience has exhibited a declining trend over the past decades. The measurement of insurance contract liabilities relating to these contracts takes into account an improvement in future mortality rates. For individual and group annuity contracts, mortality improvement is also taken into account in the projection. For group life contracts, the expected future mortality experience is incorporated into the measurement of the insurance contracts, but no future mortality improvement is assumed. Finally, there is no improvement assumed in the morbidity assumptions that are used for individual and group life insurance contracts.

Expenses

Expenses incurred for the fulfilment of contracts include acquisition costs, costs of servicing and maintaining in-force policies, taxes and associated indirect expenses. Expense assumptions are calculated using the Company’s internal expense allocation studies and consider investments in improvement projects for which productivity gains are planned. Unit cost factors projected for the coming years vary according to the investments planned in improvement projects, the productivity gains they will generate (in excess of the project costs) and the inflation assumption, which is established consistently with the discount rate. Expenses incurred for the fulfilment of contracts that are not specific to a contract are allocated to groups of contracts based on a systematic and rational method, such as unit cost based allocation, for all costs that have similar characteristics. Taxes reflect assumptions for future premium taxes and other non-income related taxes and usually reflect current legislation unless a change is expected.

Changes in Discretionary Cash Flows

To determine how to identify changes in discretionary cash flows for certain contracts without direct participation features, the Company generally regards its commitment to be the implicit return in the estimates of the fulfilment cash flows on initial recognition, updated to reflect current financial risk assumptions.

ii) Discount Rates

The Company uses a hybrid of the bottom-up and top-down approaches to determine the discount rates used to adjust the estimates of future cash flows to reflect the time value of money and financial risk. Under this approach, the discount rates are determined as the risk-free yields adjusted by an illiquidity premium to reflect differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows.

The risk-free yields are derived using Government of Canada bonds for the first 30 years where data is sufficient to develop a curve. After 30 years, linear interpolation is used from an average of long-term rates up to an ultimate risk-free rate.

The illiquidity premium for the first 30 years is determined as the yield implicit in the fair value of a reference portfolio less the risk-free yields and adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio is made up of corporate and provincial bonds usually included in public bond indices. Since corporate bonds are less liquid than provincial bonds, the discount rate curves have different proportions in corporate and provincial bonds to reflect the liquidity of the contracts. The yield from the reference portfolio is adjusted to remove both expected and unexpected credit risk by using information from observed historical levels of default relating to the bonds included in the reference portfolio. Historical levels of default may be adjusted in the case of a particular credit event. After all the illiquidity premiums have been determined, a final adjustment is made to adjust for the difference between the Company's own assets and the reference portfolio. After 30 years, linear interpolation is used from an average of long-term rates up to an ultimate risk-free rate.

As at September 30, 2022, the Company improved the method it uses to translate observable data of bond prices in the market into an illiquidity premium curve. This improvement in methodology resulted in an expense recorded in *Finance income (expenses) from insurance contracts* for an amount of $92.

The following table presents discount rates applied to discounting of future cash flows based on the liquidity characteristics of the insurance contracts:

			2023			
	1 year	**5 years**	**10 years**	**20 years**	**30 years**	**70 years**
Canadian products						
Least illiquid curve	**4.25%**	**3.57%**	**3.89%**	**4.19%**	**3.92%**	**4.35%**
Most illiquid curve	**5.51%**	**5.00%**	**5.25%**	**5.33%**	**5.09%**	**5.15%**
U.S. products						
Least illiquid curve	**5.30%**	**4.74%**	**4.95%**	**5.23%**	**4.97%**	**4.90%**
Most illiquid curve	**5.55%**	**4.99%**	**5.20%**	**5.48%**	**5.22%**	**5.15%**

			2022			
	1 year	5 years	10 years	20 years	30 years	70 years
Canadian products						
Least illiquid curve	4.33%	3.91%	4.19%	4.50%	4.29%	4.35%
Most illiquid curve	5.95%	5.48%	5.83%	5.83%	5.64%	5.15%
U.S. products						
Least illiquid curve	5.33%	5.08%	5.21%	5.42%	4.97%	4.90%
Most illiquid curve	5.58%	5.33%	5.46%	5.67%	5.22%	5.15%

Cash flows that have a non-linear relationship with the returns on any underlying financial items, caused by the presence of guarantees linked to financial markets (such as minimum interest rate guarantees or guarantees on segregated fund contracts), are adjusted for the effect of that variability using stochastic risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

iii) Risk Adjustment for Non-Financial Risk

The Company determines the risk adjustment for non-financial risk using margins on assumptions. Therefore, the fulfilment cash flows are calculated with conservative assumptions and the difference between calculated fulfilment cash flows and the present value of the estimates of future cash flows corresponds to the risk adjustment for non-financial risk.

The margins are calibrated so that the total resulting risk adjustment for non-financial risk represents the compensation required by the Company for bearing the uncertainty related to non-financial risk. This compensation is defined by a confidence level on a net-of-reinsurance basis between 92.50% and 97.50% in 2023 and 2022 and reflects diversification benefits (by using a correlation matrix) between risks, products and entities of the group. Such a confidence level represents the probability that fulfilment cash flows, including the risk adjustment for non-financial risk, will be sufficient to fulfill the Company's obligations related to insurance contracts (after consideration for reinsurance), when considering non-financial risks only.

To determine the risk adjustment for non-financial risk for reinsurance contracts, the Company derives the amount of risk being transferred to the reinsurer as the difference between the risk adjustment for non-financial risk determined on a gross-of-reinsurance basis and the risk adjustment for non-financial risk determined on a net-of-reinsurance basis.

b) Recognition of the Contractual Service Margin in the Income Statement

The coverage units establish the amount of the CSM of a group of contracts to be released in the Income Statement to reflect the insurance contract services provided in the period. The Company determines the number of coverage units by considering, for each contract, the quantity of the benefits provided and the expected coverage duration. The quantity of benefits of a contract is the amount insured over the duration of the contract, which is evaluated by considering the specific characteristics of each contract.

To determine the relative weighting of the benefits provided by insurance contracts that provide both insurance coverage and investment services, the Company considers the quantity of benefits for each service and their expected duration and uses the sum as coverage units. The quantity of benefits for investment services is based on the asset value managed under the contract for the benefit of the policyholder.

For reinsurance contracts, the number of coverage units reflects the benefits covered in the underlying contracts because the level of services provided depends on the number of underlying contracts in force and their benefits. The total coverage units for each group of contracts are reassessed at the end of each reporting period.

c) Impact of Changes in Methodologies and Assumptions

A review of the methodologies and assumptions is performed periodically to reflect changing experience.

The following tables present the impact of changes in methodologies and assumptions as well as their explanation:

	2023	
(in millions of dollars)	**Impact on pre-tax net fulfilment cash flows**	**Description**
Mortality and morbidity	**$ (56)**	Mortality: Slightly unfavourable assumption review Morbidity: Favourable assumption review
Policyholder behaviour	**(53)**	Mainly segregated funds assumption review
Financial	**(12)**	Minor model refinements
Expenses	**38**	Annual update of expense studies
Other	**170**	Mostly risk adjustment diversification factor and model refinements
Impact of changes in methodologies and assumptions	**$ 87**	

	2022	
(in millions of dollars)	Impact on pre-tax net fulfilment cash flows	Description
Mortality and morbidity	$ 127	Mortality: Unfavourable impact mainly from the application of a new mortality table from the CIA Morbidity: Slightly favourable assumption review
Policyholder behaviour	(43)	Mainly lapse assumption review
Financial	99	Mainly model refinements to determine discount rates
Expenses	84	Annual update of expense studies
Other	172	Mostly risk adjustment diversification factor and model refinements
Impact of changes in methodologies and assumptions	$ 439	

(in millions of dollars)	**2023**	2022
Amounts recognized in net income	**$ (15)**	$ (147)
Amounts recognized in the CSM	**(72)**	(292)
Impact of changes in methodologies and assumptions	**$ (87)**	$ (439)

16 › Investment Contract Liabilities, Deposits and Investment Contract Liabilities Related to Segregated Funds

	As at December 31, 2023		As at December 31, 2022		As at January 1, 2022	
(in millions of dollars)	**Carrying value**	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Investment contract liabilities	**$ 39**	**$ 39**	$ 48	$ 48	$ 79	$ 79
Deposits	**6,011**	**5,797**	4,302	4,211	4,071	3,947
Investment contract liabilities and deposits	**$ 6,050**	**$ 5,836**	$ 4,350	$ 4,259	$ 4,150	$ 4,026
Investment contract liabilities related to segregated funds	**$ 11,636**	**$ 11,636**	$ 10,433	$ 10,433	$ 10,885	$ 10,885

For the year ended December 31, 2023, the Company recognized interest expenses of $164 ($46 for the year ended December 31, 2022) on investment contract liabilities and deposits. No interest is accounted for on investment contract liabilities related to segregated funds considering the adjustment on a daily basis of the contractual cashflows. As at December 31, 2023, the interest rates on investment contract liabilities and on deposits are between 0.00% and 6.05% (0.00% and 4.70% as at December 31, 2022).

17 › Other Liabilities

(in millions of dollars)	**2023**	2022
Accounts payable	**$ 1,381**	$ 1,077
Income taxes payable	**200**	115
Securities sold under repurchase agreements	**10**	—
Short-selling securities	**329**	265
Securitization liabilities	**259**	453
Mortgage debt	**3**	3
Lease liabilities	**107**	110
Post-employment benefits	**200**	172
Miscellaneous	**189**	177
Total	**$ 2,678**	$ 2,372

18 › Debentures

	2023		2022	
(in millions of dollars)	**Carrying value**	**Fair value**	Carrying value	Fair value
Subordinated debentures bearing interest at 3.30%	**$ —**	**$ —**	$ 400	$ 393
Subordinated debentures bearing interest at 3.072%	**399**	**380**	399	366
Subordinated debentures bearing interest at 2.40%	**399**	**387**	399	372
Subordinated debentures bearing interest at 3.187%	**299**	**284**	298	272
Subordinated debentures bearing interest at 5.685%	**398**	**409**	—	—
Floating rate surplus notes based on LIBOR plus 4.25%	**4**	**4**	4	4
Total	**$ 1,499**	**$ 1,464**	$ 1,500	$ 1,407

Subordinated debentures represent direct unsecured obligations of the Company that are subordinate to the Company's policyholders and other creditors.

Subordinated Debentures Bearing Interest at 2.64%

On February 23, 2022, iA Insurance redeemed all of its $250 subordinated debentures maturing February 23, 2027, bearing interest of 2.64% payable semi-annually until February 23, 2022. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of $253.

Subordinated Debentures Bearing Interest at 3.30%

On September 15, 2023, iA Insurance redeemed all of its $400 subordinated debentures maturing September 15, 2028, bearing interest of 3.30% payable semi-annually until September 15, 2023. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of $407.

Subordinated Debentures Bearing Interest at 3.072%

Subordinated debentures maturing September 24, 2031, bearing interest of 3.072%, payable semi-annually from March 24, 2020 to September 24, 2026, and a variable interest rate equal to the 3-month CDOR plus 1.31%, payable quarterly commencing December 24, 2026 until September 24, 2031. These subordinated debentures are redeemable by the Company starting September 24, 2026, in whole or in part, subject to prior approval by the AMF. As at December 31, 2023, the carrying value of the debentures includes amortized transaction costs of $1 ($1 as at December 31, 2022).

Subordinated Debentures Bearing Interest at 2.40%

Subordinated debentures maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and a variable interest rate equal to the 3-month CDOR plus 0.71%, payable quarterly commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to prior approval by the AMF. As at December 31, 2023, the carrying value of the debentures includes amortized transaction costs of $1 ($1 as at December 31, 2022).

Subordinated Debentures Bearing Interest at 3.187%

On February 25, 2022, the Company issued subordinated debentures in the amount of $300 due February 25, 2032, bearing interest of 3.187%, payable semi-annually from August 25, 2022 to February 25, 2027, and variable interest equal to the 3-month CDOR, plus 0.91%, payable quarterly, commencing May 25, 2027 and ending on February 25, 2032. These subordinated debentures are redeemable by the Company, in whole or in part, from February 25, 2027, subject to prior approval by the AMF. As at December 31, 2023, the carrying value of these debentures includes amortized transaction costs of $1 ($2 as at December 31, 2022).

Subordinated Debentures Bearing Interest at 5.685%

On June 20, 2023, the Company issued subordinated debentures in the amount of $400 due June 20, 2033, bearing interest of 5.685%, payable semi-annually from December 20, 2023 to June 20, 2028, and variable interest equal to the daily compounded CORRA, increased by 1.96%, payable quarterly, commencing September 20, 2028 and ending on June 20, 2033. These subordinated debentures are redeemable by the Company, in whole or in part, from June 20, 2028, subject to prior approval by the AMF. As at December 31, 2023, the carrying value of the debentures includes amortized transaction costs of $2.

Floating Rate Surplus Notes Based on LIBOR plus 4.25%

Floating rate surplus notes, bearing interest equal to the LIBOR 3-month rate plus 4.25%, payable quarterly, maturing in May 2034.

19 › Share Capital

The Company's authorized share capital consists of the following:

Common Shares

Unlimited number of common shares without par value, with one voting right.

Class A Preferred Shares

Class A preferred shares, without par value, issuable in series. The number that may be issued is limited to not more than one-half of the number of common shares issued and outstanding at the time of the proposed issue of such Class A preferred shares.

The share capital issued by the Company is as follows:

	2023		2022	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning	**104,773**	**$ 1,675**	107,557	$ 1,706
Shares issued on exercise of stock options	**264**	**15**	325	19
Shares redeemed	**(5,394)**	**(87)**	(3,109)	(50)
Balance at end	**99,643**	**$ 1,603**	104,773	$ 1,675

Normal Course Issuer Bid

With the approval of the Toronto Stock Exchange and the AMF, the Board of Directors authorized the Company to renew the 2022 normal course issuer bid. Under the 2023 normal course issuer bid, the Company may purchase, in the normal course of its activities, between November 14, 2023 and November 13, 2024, up to 5,046,835 common shares (5,265,045 common shares in the normal course issuer bid of 2022), representing approximately 5% of its 100,936,705 common shares issued and outstanding as at October 31, 2023. For the year ended December 31, 2023, a total of 5,394,180 common shares (3,109,402 as at December 31, 2022) were purchased and cancelled for a net cash amount of $462 ($213 as at December 31, 2022), of which $87 was recorded against share capital ($50 as at December 31, 2022) and $375 against retained earnings ($163 as at December 31, 2022).

Dividends

	2023		2022	
(in millions of dollars, unless otherwise indicated)	**Total**	**Per share (in dollars)**	Total	Per share (in dollars)
Common shares	**$ 304**	**$ 2.97**	$ 277	$ 2.60

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.820 dollars per share was approved by the Board of Directors of the Company on February 20, 2024. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on March 15, 2024 to the shareholders of record as of March 1, 2024, date on which it will be recognized in the retained earnings of the Company.

Dividend Reinvestment and Share Purchase Plan

The Company offers a Dividend Reinvestment and Share Purchase Plan to its common shareholders. Dividends on common shares are deducted from retained earnings in the period in which they were authorized. The common shares issued under the plan will be purchased on the secondary market.

20 › Preferred Shares Issued by a Subsidiary and Other Equity Instruments

The description of the preferred shares issued by iA Insurance, a subsidiary of the Company, is as follows:

An unlimited number of Class A – Series B preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash of 0.2875 dollars per share, redeemable in whole or in part at the option of the Company commencing on March 31, 2011, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year and convertible at the option of the shareholders, subject to approval by the AMF, into new Class A preferred shares.

An unlimited number of Class A – Series G preferred shares, without par value, without voting rights, with a non-cumulative quarterly dividend in cash with an initial annual rate equal to 1.0750 dollars per share, redeemable in whole or in part at the option of the Company on June 30, 2017 and on June 30 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series H preferred shares on June 30, 2017 and thereafter on June 30 every 5 years. On June 30, 2017, the Company modified the non-cumulative quarterly dividend to an annual rate equal to 0.94425 dollars in cash per share.

An unlimited number of Class A – Series I preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash with an annual rate equal to 1.20 dollars per share for a period of 5 years beginning on March 7, 2018 and ending on March 31, 2023, excluding this date, redeemable in whole or in part at the option of the Company on March 31, 2023 and on March 31 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series J preferred shares on March 31, 2023 and thereafter on March 31 every 5 years.

The other equity instruments issued by the Company are as follows:

Limited Recourse Capital Notes Series 2022-1 Subordinated Debentures (Series 2022-1 Notes) maturing June 30, 2082, bearing interest of 6.611%, payable semi-annually from December 31, 2022 to June 30, 2027. On June 30, 2027 and every 5 years thereafter until June 30, 2077, the interest rate will be reset at an interest rate equal to the 5-year Government of Canada yield plus 4.00%. These Series 2022-1 Notes are redeemable by the Company on June 30, 2027 and thereafter from May 31 to June 30 every 5 years, in whole or in part, subject to approval by the AMF.

Class A – Series A non-cumulative 5-year rate reset preferred shares held by the Limited Recourse Trust issued in connection with the issuance of the Series 2022-1 Notes. The Series A preferred shares are eliminated on the Company's Consolidated Statements of Financial Position while being held within the Limited Recourse Trust. In case of non-payment of interest or principal of the Series 2022-1 Notes when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of Series A preferred shares except in limited circumstances. The holders of the Series A preferred shares will be entitled to receive fixed-rate semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors.

Preferred shares issued by iA Insurance and other equity instruments issued by the Company are as follows:

	2023		2022	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Preferred shares, Class A, issued by iA Insurance				
Balance at beginning	**11,000**	**$ 275**	21,000	$ 525
Shares redeemed – Series G	**—**	**—**	(10,000)	(250)
Shares redeemed – Series I	**(6,000)**	**(150)**	—	—
Balance at end	**5,000**	**125**	11,000	275
Other equity instruments				
Balance at beginning	**250**	**250**	—	—
Subordinated debentures issued – Series 2022-1	**—**	**—**	250	250
Balance at end	**250**	**250**	250	250
Total preferred shares issued by iA Insurance and other equity instruments	**5,250**	**$ 375**	11,250	$ 525

Preferred Shares Issued by iA Insurance

Redemption

On March 31, 2023, iA Insurance redeemed all of the 6,000,000 Class A – Series I preferred shares at a price of 25 dollars per share for a cash amount of $150.

On June 30, 2022, iA Insurance redeemed all of the 10,000,000 Class A – Series G preferred shares at a price of 25 dollars per share for a cash amount of $250.

Other Equity Instruments

Issuance

On June 1, 2022, the Company issued Limited Recourse Capital Notes Series 2022-1 Subordinated Debentures, bearing interest at 6.611% and maturing in 2082, for a net cash amount of $247. Transaction costs for a total of $4 ($3 after tax) were recognized in *Retained earnings*.

At the same time, the Company issued 250,000 Series A non-cumulative 5-year rate reset preferred shares to be held by the Limited Recourse Trust, which has been newly formed by the Company.

Dividends and Distributions

	2023		2022	
(in millions of dollars, unless otherwise indicated)	**Total**	**Per share (in dollars)**	Total	Per share (in dollars)
Dividends on preferred shares, issued by iA Insurance				
Class A – Series B	**$ 6**	**$ 1.15**	$ 6	$ 1.15
Class A – Series G	**—**	**—**	4	0.47
Class A – Series I	**2**	**0.30**	8	1.20
	8		18	
Distributions on other equity instruments				
Subordinated debentures – Series 2022-1	**12**		7	
Total dividends and distributions	**$ 20**		$ 25	

For the year ended December 31, 2023, distributions on other equity instruments for a total of $16 ($12 after tax) were recognized in *Retained earnings* ($9 ($7 after tax) for the year ended December 31, 2022).

21 › Accumulated Other Comprehensive Income

(in millions of dollars)	**Bonds**	**Stocks**	**Other investments and investment properties**	**Currency translation**	**Hedging**	**Total**
Balance as at December 31, 2021	$ 30	$ 21	$ (2)	$ (47)	$ (16)	$ (14)
Impact of adopting IFRS 9 (Note 4)	(30)	(21)	2	1	(8)	(56)
Balance as at January 1, 2022	—	—	—	(46)	(24)	(70)
Revaluation surplus related to transfers to investment properties	—	—	26	—	—	26
Income taxes on revaluation surplus related to transfers to investment properties	—	—	(4)	—	—	(4)
Other	—	—	—	181	(131)	50
Income taxes on other	—	—	—	—	19	19
	—	—	22	181	(112)	91
Balance as at December 31, 2022	**—**	**—**	**22**	**135**	**(136)**	**21**
Revaluation surplus related to transfers to investment properties	**—**	**—**	**3**	**—**	**—**	**3**
Income taxes on revaluation surplus related to transfers to investment properties	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**(78)**	**44**	**(34)**
Income taxes on other	**—**	**—**	**—**	**—**	**(7)**	**(7)**
	—	**—**	**3**	**(78)**	**37**	**(38)**
Balance as at December 31, 2023	**$ —**	**$ —**	**$ 25**	**$ 57**	**$ (99)**	**$ (17)**

22 › Capital Management

As part of its capital management, the Company pursues sound capitalization and good solvency objectives to ensure capital protection, to respect the requirements established by the organization that regulates its operations, the AMF, to favour its development and growth, to enhance shareholder returns and to maintain favourable credit ratings.

To reach its objectives, the Company has an enterprise risk management framework that aims to describe the relationship between the Company's appetite, risk tolerance and capital requirements. This framework includes a capital management policy that describes the key processes related to capital management, including the process for determining the target operating level of the solvency ratio. The framework also comprises reporting on the Company's risk profile and an own risk and solvency assessment (ORSA) report. These reports enable the identification of risks and the evaluation of required capital to support these risks and contain proposals for possible risk management actions. These documents are revised annually and filed with the Board of Directors.

Considering the various items that can influence the Company's capital, including the contribution of net income and the features of assets underlying the capital, the Company adjusts its management strategy to enable it to optimize the structure and cost of its capital according to needs and regulatory requirements. For example, the Company may issue or redeem participating shares or subordinated debt securities.

Regulatory Requirements and Solvency Ratio

The Company is committed to respecting certain requirements of the guideline on capital adequacy requirements for life insurers (CARLI).

An updated version of CARLI entered into force on January 1, 2023 applicable prospectively and gives new parameters for calculating the solvency ratio. In return, as at December 31, 2022, the solvency ratio was established according to the previous version of CARLI. The parameters affecting the solvency ratio that have been modified since the previous version are identified in parentheses.

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to common shareholders, preferred shares issued by a subsidiary, other qualifying equity instruments and the contractual service margin, excluding the contractual service margin for segregated funds. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is notably composed of subordinated debentures.

The surplus allowance is the value of the risk adjustment for non-financial risk (the value of specific provisions for adverse deviations as at December 31, 2022) included in insurance contract liabilities, excluding insurance contract liabilities related to segregated funds.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, between-risk diversification and adjustable products) multiplied by a scalar of 1.00 (1.05 as at December 31, 2022).

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

The Company manages its capital on a consolidated basis. As at December 31, 2023 and 2022, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	**2023**	2022
Available capital		
Tier 1 capital	**$ 4,831**	$ 2,417
Tier 2 capital	**3,405**	2,364
Surplus allowance and eligible deposits	**2,448**	4,621
Total	**$ 10,684**	$ 9,402
Base solvency buffer	**$ 7,355**	$ 7,481
Total ratio	**145%**	126%

23 › Insurance Service Expenses and Other Operating Expenses

(in millions of dollars)	**2023**	2022
Benefits and claims	**$ 3,271**	$ 2,838
Commissions	**2,551**	2,517
Losses and reversal of losses on onerous contracts	**250**	245
Salaries, benefits and stock-based compensation	**1,050**	935
Professional fees	**315**	286
Depreciation of fixed assets (Note 11)	**56**	59
Depreciation of intangible assets (Note 12)	**179**	161
Other administrative expenses	**394**	414
	8,066	7,455
Amounts attributed to insurance acquisition cash flows incurred during the year	**(1,777)**	(1,788)
Amortization of insurance acquisition cash flows	**577**	332
	$ 6,866	$ 5,999
Insurance service expenses	**$ 4,893**	$ 4,103
Other operating expenses	**1,973**	1,896
	$ 6,866	$ 5,999

An amount of $128 ($122 in 2022) related to investment fees is included in *Other operating expenses*.

24 › Other Financing Charges

(in millions of dollars)	**2023**	2022
Interest on debentures	**$ 54**	$ 47
Interest on lease liabilities	**4**	4
Other	**8**	6
Total	**$ 66**	$ 57

25 › Income Taxes

a) Income Tax Expense (Recovery) for the Year

Income tax

(in millions of dollars)	**2023**	2022
Current income tax		
Current year	**$ 454**	$ 159
Adjustments of previous years	**(8)**	18
	446	177
Deferred income tax		
Creation and reversal of temporary differences	**(226)**	(115)
Adjustments of previous years	**(13)**	(48)
Variation in tax rates	**5**	1
	(234)	(162)
Income tax expense (recovery)	**$ 212**	$ 15

Income tax recognized directly in equity

(in millions of dollars)	**2023**	2022
Recognized in other comprehensive income		
Deferred income tax expense (recovery)	**$ 36**	$ (17)
Recognized in retained earnings		
Current income tax expense (recovery)	**$ (3)**	$ —
Deferred income tax expense (recovery)	**(1)**	(3)
Total	**$ (4)**	$ (3)

b) Reconciliation of Income Tax Expense

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

(in millions of dollars, unless otherwise indicated)	**2023**		2022	
Income before income taxes	**$ 1,001**		$ 349	
Income tax expense (recovery) at Canadian statutory tax rate	**280**	**28%**	94	27%
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	**(12)**	**(1)%**	(3)	(1)%
Tax-exempt investment income	**(44)**	**(5)%**	(50)	(14)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	**7**	**1%**	4	1%
Adjustments related to prior years	**(21)**	**(2)%**	(30)	(9)%
Variation in tax rates	**5**	**—%**	1	—%
Other	**(3)**	**— %**	(1)	—%
Income tax expense (recovery) and effective income tax rate	**$ 212**	**21%**	$ 15	4%

c) Deferred Income Taxes

i) Recognized deferred income tax assets and liabilities

	As at December 31	As at December 31	As at January 1
(in millions of dollars)	**2023**	2022	2022
Deferred income tax assets	**$ 270**	$ 112	$ 111
Deferred income tax liabilities	**(319)**	(362)	(526)
Net deferred income tax assets (liabilities)	**$ (49)**	$ (250)	$ (415)

ii) Changes in net deferred tax assets (liabilities) for the year are as follows:

				2023				
(in millions of dollars)	**Balance as at December 31, 2022**	**Recognized in net income**	**Recognized in other comprehensive income**	**Recognized in retained earnings**	**Effect of changes in exchange rates**	**Recognized as goodwill**	**Other**	**Balance as at December 31, 2023**
Bonds	**$ 200**	**$ (55)**	**$ —**	**$ —**	**$ (1)**	**$ —**	**$ —**	**$ 144**
Stocks	**(67)**	**42**	**—**	**—**	**—**	**—**	**—**	**(25)**
Real estate	**(113)**	**25**	**—**	**—**	**—**	**—**	**—**	**(88)**
Right-of-use assets	**(25)**	**1**	**—**	**—**	**—**	**—**	**—**	**(24)**
Intangible assets	**(289)**	**(6)**	**—**	**—**	**3**	**—**	**—**	**(292)**
Insurance contract liabilities	**(276)**	**177**	**(1)**	**—**	**6**	**—**	**—**	**(94)**
Post-employment benefits	**55**	**—**	**(29)**	**—**	**—**	**—**	**—**	**26**
Lease liabilities	**29**	**(2)**	**—**	**—**	**—**	**—**	**—**	**27**
Losses available for carry-forward	**126**	**11**	**—**	**1**	**(3)**	**—**	**—**	**135**
Other	**110**	**41**	**(6)**	**—**	**(1)**	**—**	**(2)**	**142**
Total	**$ (250)**	**$ 234**	**$ (36)**	**$ 1**	**$ 4**	**$ —**	**$ (2)**	**$ (49)**

				2022				
(in millions of dollars)	Balance as at January 1, 2022	Recognized in net income	Recognized in other comprehensive income	Recognized in retained earnings	Effect of changes in exchange rates	Recognized as goodwill	Other	Balance as at December 31, 2022
Bonds	$ (46)	$ 245	$ —	$ —	$ 1	$ —	$ —	$ 200
Stocks	(63)	(2)	—	—	(2)	—	—	(67)
Real estate	(129)	20	(4)	—	—	—	—	(113)
Right-of-use assets	(29)	5	—	—	—	—	(1)	(25)
Intangible assets	(284)	9	—	—	(7)	(7)	—	(289)
Insurance contract liabilities	(96)	(169)	4	—	(15)	—	—	(276)
Post-employment benefits	21	32	2	—	—	—	—	55
Lease liabilities	32	(4)	—	—	—	—	1	29
Losses available for carry-forward	112	4	—	2	8	—	—	126
Other	67	22	15	1	5	—	—	110
Total	$ (415)	$ 162	$ 17	$ 3	$ (10)	$ (7)	$ —	$ (250)

Non-capital carryforward tax losses for which a deferred tax asset has not been recognized amount to $1 ($1 in 2022). These losses will expire between the years 2031 and 2043.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries, branches, associates and joint ventures unless the Company is able to control the timing of the reversal of these differences and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2023, temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which a deferred tax liability has not been recognized amount to $1,993 ($1,308 in 2022).

26 › Segmented Information

Until December 31, 2022, the Company's operating segments reported were Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and Other. As at January 1, 2023, the Company revised its segmented information to reflect the evolution of its organizational structure for decision making. Comparative figures have been adjusted to reflect these changes along with the effects of the adoption of IFRS 17 and IFRS 9 on January 1, 2022. Business units are grouped into reportable operating segments based on their similar economic characteristics.

The Company offers its products and services to retail customers, businesses and groups and primarily operates in Canada and in the United States. The Company's reportable operating segments are described below, according to their main products and services or to their specific characteristics:

Insurance, Canada – Life and health insurance products, auto and home insurance products, creditor insurance, replacement insurance and warranties, extended warranties and other ancillary products for dealer services, and specialized products for special markets.

Wealth Management – Products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage (including cross-border services), trust operations and mutual funds.

US Operations – Life insurance products and extended warranties relating to dealer services sold in the United States.

Investment – Investment and financing activities of the Company, except the investment activities of wealth distribution affiliates.

Corporate – All expenses that are not allocated to other operating segments, such as expenses for certain corporate functions.

Inter-segment transactions as well as some adjustments related to consolidation are shown in the *Consolidation adjustments* column. Inter-segment transactions consist primarily of activities carried out in the normal course of business for those operating segments and are subject to normal market conditions.

Considering the Company's total portfolio management strategy, most of the Company's investments are allocated to the Investment segment. When assessing segmented performance, management allocates *Finance income (expenses) from insurance contracts*, *Finance income (expenses) from reinsurance contracts* and nearly all *(Increase) decrease in investment contract liabilities and interest on deposits* to this operating segment.

The Company makes judgments and uses assumptions and methodologies to allocate operating expenses that are not directly attributable to an operating segment.

Asset and liability balances for insurance contracts and reinsurance contracts are presented by segment in Note 15 "Insurance Contracts and Reinsurance Contracts" under section A) a) "Carrying Amount of Portfolios of Insurance Contracts and Reinsurance Contracts".

Segmented Results

				2023			
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Investment**	**Corporate**	**Consolidation adjustments**	**Total**
Insurance service result							
Insurance revenue	**$ 3,507**	**$ 939**	**$ 1,294**	**$ —**	**$ —**	**$ —**	**$ 5,740**
Insurance service expenses and net expenses from reinsurance contracts	**(3,065)**	**(657)**	**(1,165)**	**—**	**—**	**—**	**(4,887)**
	442	**282**	**129**	**—**	**—**	**—**	**853**
Net investment result							
Net investment income	**—**	**121**	**—**	**3,870**	**—**	**(8)**	**3,983**
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	**—**	**(23)**	**—**	**(3,288)**	**—**	**8**	**(3,303)**
	—	**98**	**—**	**582**	**—**	**—**	**680**
Other revenues	**196**	**1,202**	**165**	**29**	**—**	**(85)**	**1,507**
Other expenses	**(263)**	**(1,178)**	**(230)**	**(187)**	**(266)**	**85**	**(2,039)**
Income before income taxes	**375**	**404**	**64**	**424**	**(266)**	**—**	**1,001**
Income tax (expense) recovery	**(101)**	**(116)**	**(17)**	**(46)**	**68**	**—**	**(212)**
Net income	**274**	**288**	**47**	**378**	**(198)**	**—**	**789**
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	**—**	**—**	**—**	**(20)**	**—**	**—**	**(20)**
Net income attributed to common shareholders	**$ 274**	**$ 288**	**$ 47**	**$ 358**	**$ (198)**	**$ —**	**$ 769**

				2022[1]			
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	$ 3,134	$ 814	$ 1,190	$ —	$ —	$ —	$ 5,138
Insurance service expenses and net expenses from reinsurance contracts	(2,742)	(572)	(1,060)	—	—	—	(4,374)
	392	242	130	—	—	—	764
Net investment result							
Net investment income	—	56	—	(8,327)	—	—	(8,271)
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(12)	—	8,284	—	—	8,272
	—	44	—	(43)	—	—	1
Other revenues	182	1,190	222	32	—	(89)	1,537
Other expenses	(250)	(1,152)	(224)	(182)	(234)	89	(1,953)
Income before income taxes	324	324	128	(193)	(234)	—	349
Income tax (expense) recovery	(86)	(85)	(29)	128	57	—	(15)
Net income	238	239	99	(65)	(177)	—	334
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(25)	—	—	(25)
Net income attributed to common shareholders	$ 238	$ 239	$ 99	$ (90)	$ (177)	$ —	$ 309

[1] Presentation and figures have been adjusted to reflect changes in reportable operating segments and the effect of the adoption of IFRS 17 and IFRS 9 on January 1, 2022.

27 › Earnings Per Common Share

Basic Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributed to common shareholders by the weighted average number of outstanding common shares during the year.

(in millions of dollars, unless otherwise indicated)	**2023**	2022[1]
Net income attributed to common shareholders	**$ 769**	$ 309
Weighted average number of outstanding shares (in millions of units)	**102**	106
Basic earnings per share (in dollars)	**$ 7.51**	$ 2.90

[1] The amounts for the year ended December 31, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Financial Statements.

Diluted Earnings Per Share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to take into account the conversion of all potentially dilutive common shares.

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the year). In 2023, an average of 16,013 antidilutive stock options (62,911 in 2022) were excluded from the calculation.

(in millions of dollars, unless otherwise indicated)	**2023**	2022[1]
Net income attributed to common shareholders	**$ 769**	$ 309
Weighted average number of outstanding shares (in millions of units)	**102**	106
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**1**	1
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**103**	107
Diluted earnings per share (in dollars)	**$ 7.48**	$ 2.89

[1] The amounts for the year ended December 31, 2022 reflect the adoption of IFRS 17 and IFRS 9 on January 1, 2022, and consequently, the amounts are different from those previously published. For information on IFRS 17 and IFRS 9 adoption, refer to Notes 3 and 4 to these Financial Statements.

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these Financial Statements.

28 › Stock-Based Compensation

Stock Option Plan

The Company grants a certain number of common stock options to management and to senior management and determines the exercise price of the options, the expiry date and the date on which the options can be exercised. Once they are exercised, these options involve the issuance of new shares of the Company.

The exercise price of each option is equal to the weighted average price of the shares traded on the Toronto Stock Exchange during the 5 days of trading preceding the option grant date. The options are generally valid for 10 years. They can be exercised at a maximum rate of 25% per year for the first four anniversaries of the grant. In certain cases, the Human Resources and Compensation Committee can modify the number of options purchased following an event, moving up the expiration date of the option.

The Board can grant options for a total of 11,350,000 common shares and cannot grant more than 1.4% of the issued and outstanding common shares of the Company per person eligible for the plan.

The following table presents the activities of the plan:

	2023		2022	
(in dollars, unless otherwise indicated)	**Number of stock options (in thousands)**	**Weighted average exercise price**	Number of stock options (in thousands)	Weighted average exercise price
Balance at beginning	**1,539**	**$ 59.30**	1,669	$ 54.39
Options granted	**206**	**82.09**	195	83.35
Options exercised	**(264)**	**46.37**	(325)	48.54
Options cancelled	**(16)**	**63.34**	—	—
Balance at end	**1,465**	**$ 64.79**	1,539	$ 59.30
Exercisable at end	**904**	**$ 58.34**	915	$ 53.15

The stock options outstanding as at December 31, 2023 by exercise price are as follows:

Exercise price (in dollars, unless otherwise indicated)	**Number of stock options (in thousands)**	**Weighted average exercise price**	**Average remaining contractual life (in years)**
32.09–43.51	**113**	**$ 40.67**	**1.77**
43.52–55.85	**324**	**51.97**	**4.24**
55.86–58.43	**371**	**58.04**	**6.19**
58.44–83.87	**657**	**79.04**	**7.68**
Total	**1,465**	**$ 64.79**	**6.09**

Fair value of options is estimated at the grant dates using the Black-Scholes option pricing model. The weighted average fair value of the options granted in 2023 is 15.04 dollars (15.20 dollars in 2022). The pricing model assumes the following information:

	2023	2022
Risk-free interest rate	**3.08%**	1.69%
Expected volatility	**26.28%**	26.71%
Expected life (in years)	**5.1**	5.2
Expected dividends	**3.86%**	3.10%
Exercise price (in dollars)	**82.09**	83.35

The stock option plan expense for the year ended December 31, 2023 is $3 ($3 in 2022), and an equivalent amount was accounted for in *Contributed surplus* in the Equity Statements.

The Black-Scholes option pricing model estimates the fair value of traded options that have no vesting restrictions and are fully transferable. Option pricing models also use assumptions that are highly subjective, including expected volatility of the underlying stocks. The expected volatility is based on historical volatility of the common shares as well as comparable market data analysis. Changes in assumptions can materially affect estimates of fair values.

Share Purchase Plan for Employees

The Company adopted an employee share purchase plan in which employees can contribute up to 5% of their salary to a maximum of 3,000 dollars per year. The Company matches 50% of the employee's contribution amount up to a maximum of 1,000 dollars per year. The share purchase plan for employees does not involve the issuance of new shares. The shares purchased by employees are already outstanding common shares of the Company and they are purchased on the market. The shares purchased by the employees under the share purchase plan must be kept by the employees for a minimum period of 2 years. The compensation expense recognized in respect of this plan is $4 ($3 in 2022).

Deferred Share Units Plan

This plan is offered to the Company's directors, management and senior management. Under this plan, each member may choose to receive all or a percentage of their annual directors' remuneration, or management or senior management incentive bonus, in the form of deferred share units (DSUs). The election to participate must be made on an annual basis and rights issued are vested immediately. Each DSU is equivalent to one common share and earns dividend equivalents in the form of additional DSUs at the same rate as the dividends on common shares. The value at the time of the cash settlement will be based on the average market price of the common shares on the 5 business days starting the day of the settlement request. To manage the risk of cash flow variation of its common share quoted price fluctuation, the Company uses derivative financial instruments. The amount of outstanding deferred share units is 262,657 (251,196 in 2022). The variation related to the fluctuation of the Company's common share quoted price, excluding adjustments arising from derivative financial instruments which are accounted for in *Interest and other investment income*, generated a charge of $4 in 2023 ($2 in 2022) recorded in *Other operating expenses*. The liability for this plan is $24 ($20 in 2022).

Mid-Term Incentive Plan

This plan, replaced in its entirety since January 1, 2022 by the Time-Based and Performance-Based Restricted Share Unit Plan, was created for the Company's management and senior management. Under this plan, each member could receive, in the form of performance share units, a compensation based on the Company's performance over 3 years. Awards granted under this plan are now governed by the Time-Based and Performance-Based Restricted Share Unit Plan.

Time-Based and Performance-Based Restricted Share Unit Plan

This plan, established on January 1, 2022, was created for the Company's management and senior management. Under this plan, each member may receive, in the form of time-based restricted share units or performance-based restricted share units, a compensation with a 3-year vesting period. Performance-based restricted share units have a vesting factor that depends on achieving the minimum required performance from the Company over a 3-year period. Each restricted share unit, whether time-based or performance-based, is equivalent to one common share and earns dividend equivalents in the form of additional share units at the same rate as the dividends on common shares. The value at the time of settlement will be based on the average market price of common shares for the last 20 working days of the period. Settlement is made in cash.

Considering both awards under the Time-Based and Performance-Based Restricted Share Unit Plan and awards under the Mid-Term Incentive Plan, 302,143 (212,888 in 2022) restricted share units are outstanding as at December 31, 2023. The compensation expense recognized is $15 ($8 in 2022), and the liability is $22 ($11 in 2022).

Restricted Share Units Plan

This plan was created for certain members of management of the Company. Under this plan, each member receives restricted share units (RSUs), which vest over a period of 5 years from the effective date of the plan, at a rate of 20% per year. RSUs whose rights are not ultimately vested, where applicable, may be reallocated. Each RSU is equivalent to one common share of a subsidiary of the Company which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the Company which are not under its control. These units give the right to dividend equivalents cumulated in favour of the participant in the form of additional RSUs until the plan settlement date. Settlement of RSUs and dividend equivalents will be made in cash at the end of the 5-year vesting period. As at December 31, 2023, 28,500,000 (33,200,000 in 2022) restricted share units are outstanding. The compensation expense recognized in respect of this plan is $5 ($9 in 2022), and the liability is $24 ($26 in 2022).

Phantom Share Plan

This plan was created for certain eligible advisors of the Company. Under this plan, each member receives phantom share units (PSUs), which vest over a period of 3 years. Each PSU is equivalent to one common share and does not earn dividend equivalents. The value at the time of settlement will be based on the average market price of common shares for the last 20 working days of the period. Settlement is made in cash. To manage the risk of cash flow variation of its common share quoted price fluctuation, the Company uses derivative financial instruments. As at December 31, 2023, 71,175 PSUs are outstanding (none in 2022 as official granting took place on January 1, 2023). The expense recognized in *Commissions* in respect of this plan, excluding adjustments arising from derivative financial instruments which are accounted for in *Interest and other investment income*, is $3 ($2 in 2022), and the liability for this plan is $4 ($2 in 2022).

Stock-Based Compensation Expense

(in millions of dollars)	**2023**	2022
Expense arising from equity-settled stock-based payment transactions	**$ 3**	$ 3
Expense arising from cash-settled stock-based payment transactions	**31**	24
Total of stock-based compensation expense	**$ 34**	$ 27

These expenses are recorded in the Income Statement as *Other operating expenses.*

29 › Post-Employment Benefits

The Company maintains a funded defined benefit plan and a number of unfunded plans that provide pension benefits and defined contribution plans.

Defined Benefit Plans

The Company provides defined benefit plans to eligible employees. The defined benefit plans are end-of-career plans based on the average of the best 5 years of salary. No indexation clause is included in the plan. The funded defined benefit plan is administered separately from the Company by a retirement fund that is a legally distinct entity. The retirement committee of the funded retirement plan is made up of members from the Company, members of retirement plan and non-members of retirement plan. The laws and regulations that the retirement plan is subject to require that the retirement committee act in the interests of the retirement fund and stakeholders, such as active, inactive and retired members. The retirement committee is responsible for the investment policy for retirement plan assets.

The plans are exposed to investment risks, such as credit risk, market risk, concentration risk and interest rate risk, and actuarial risks, such as risk related to mortality, rate of compensation increase and discount rate. The Company measures by extrapolation its accrued benefit obligation for the current year from the December 31, 2022 actuarial valuation. The most recent actuarial valuation of the pension plans for funding purposes was completed on December 31, 2022. The next required valuation will be performed as at December 31, 2023 and will be available later in 2024.

Other Post-Retirement Benefits

The Company provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

Variation in the discounted value of the assets and liabilities in respect of the defined benefits of plans during the year is as follows:

	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Accrued benefit plan obligation				
Balance at beginning	**$ 1,265**	**$ 41**	$ 1,603	$ 54
Current service cost	**36**	**1**	62	2
Interest cost	**68**	**2**	54	2
Employee contributions	**35**	**—**	31	—
Actuarial losses (gains) following remeasurement				
Actuarial losses (gains) on demographic assumption changes	**(7)**	**1**	—	1
Actuarial losses (gains) on financial assumption changes	**160**	**4**	(455)	(16)
Actuarial losses (gains) arising from members' experience	**(19)**	**—**	21	—
Benefits paid	**(50)**	**(2)**	(51)	(2)
Balance at end	**$ 1,488**	**$ 47**	$ 1,265	$ 41

	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Defined benefit plan assets				
Fair value at beginning	**$ 1,282**	**$ —**	$ 1,511	$ —
Interest income	**69**	**—**	50	—
Actuarial gains (losses) following remeasurement				
Return on assets (excluding the amount included in the net interest)	**88**	**—**	(310)	—
Administrative expenses	**(1)**	**—**	(2)	—
Employee contributions	**35**	**—**	31	—
Employer contributions	**46**	**—**	53	—
Benefits paid	**(50)**	**—**	(51)	—
Fair value at end	**$ 1,469**	**$ —**	$ 1,282	$ —

Amounts Recognized in the Statement of Financial Position

	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Obligation in respect of capitalized defined benefit plans[1]	**$ 1,335**	**$ —**	$ 1,134	$ —
Obligation in respect of non-capitalized defined benefit plans	**153**	**47**	131	41
Accrued benefit plan obligation	**1,488**	**47**	1,265	41
Fair value of plan assets[1]	**1,469**	**—**	1,282	—
Net liabilities (assets) before asset ceiling on a capitalized benefit plan	**19**	**47**	(17)	41
Asset ceiling on a capitalized benefit plan	**—**	**—**	148	—
Net liabilities (assets) resulting from the obligation in respect of defined benefits	**$ 19**	**$ 47**	$ 131	$ 41

[1] As at December 31, 2023, a pension plan surplus of $134 has been accounted (surplus of $148 as at December 31, 2022 which has been reduced by the asset ceiling on a capitalized benefit plan).

An amount of $134 is presented in Note 10 “Other Assets as at December 31, 2023 (none as at December 31, 2022) related to pension plans.

The amounts presented in Note 17 “Other Liabilities” are:

(in millions of dollars)	**2023**	2022
Pension plans	**$ 153**	$ 131
Other plans	**47**	41
Post-employment benefits	**$ 200**	$ 172

Amounts Recognized in Net Income and Other Comprehensive Income

	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Current service cost	**$ 36**	**$ 1**	$ 62	$ 2
Net interest[1]	**7**	**2**	4	2
Administrative expense	**1**	**—**	2	—
Components of the cost of defined benefits recognized in the net income	**44**	**3**	68	4
Remeasurement of net liabilities (assets) as defined benefits				
Rate of return on assets (excluding amounts included in the net interest above)	**(88)**	**—**	310	—
Actuarial losses (gains) on demographic assumption changes	**(7)**	**1**	—	1
Actuarial losses (gains) on financial assumption changes	**160**	**4**	(455)	(16)
Actuarial losses (gains) arising from members’ experience	**(19)**	**—**	21	—
Increase (decrease) of the asset ceiling on a capitalized benefit plan	**(156)**	**—**	148	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**(110)**	**5**	24	(15)
Total of defined benefit cost components	**$ (66)**	**$ 8**	$ 92	$ (11)

[1] As at December 31, 2023, net interest comprises an amount of $8 (none as at December 31, 2022) related to the asset ceiling on a capitalized benefit plan.

Items that will not be reclassified subsequently to net income

	2023		2022	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	**$ (110)**	**$ 5**	$ 24	$ (15)
Income taxes on remeasurement of post-employment benefits	**30**	**(1)**	(6)	4
Total of other comprehensive income	**$ (80)**	**$ 4**	$ 18	$ (11)

Plan members make contributions to their retirement plan varying from 0% to 9% (0% to 9% in 2022). The Company makes the necessary residual contributions to plans. The Company finances plans in such a way as to constitute defined benefits according to the plan provisions. The value of these benefits is established using an actuarial valuation method. The weighted average duration of the obligation in respect of defined benefits at the end of the year is 17.3 years (14.6 years in 2022) for pension plans and 10.1 years (10.1 years in 2022) for the other plans. The Company estimates that it will have to contribute an amount of $50 to its defined benefit plans in 2024.

As at December 31, 2023 and 2022, the plan assets are 100% invested in diversified fund units.

The retirement committee adopted, under the recommendation of the investment committee, an investment policy that takes into account the characteristics specific to the plan, the laws and regulations that the plan is subject to, and the investment orientations favoured by the retirement committee. The investment policy defines the target allocation of assets used as a benchmark portfolio. The main objectives of the investment policy, which are dictated by the financing policy, are to maintain a stable and sustainable cost of the plan, as well as an appropriate level of funding to ensure the security of the plan's commitments. The plan is exposed to various investment risks, namely the risks that the investments suffer losses or do not produce the expected return. The investment policy contains several quantitative and qualitative measures that aim to limit the impact of these risks. All fund units have prices listed on active markets and are classified as Level 1.

The effective return of plan assets is positive 12% (negative 17% in 2022). The plan assets are managed by a subsidiary of the Company. The pension plan assets did not include any common shares of the Company in 2023 and 2022.

Significant Assumptions

Significant judgments and assumptions are made by management in determining the expense and benefits obligations for the Company's defined benefit pension plans and other post-employment benefits. The significant actuarial assumptions made are detailed as follows:

	2023		2022	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit plan obligation				
Discount rate	**4.6%**	**4.6%**	5.3%	5.3%
Rate of compensation increase	**From 3.3% to 4.0%**	**—**	From 3.3% to 4.0%	—
Rate of mortality (table)	**CPM-2014Publ**	**CPM-2014Publ**	CPM-2014Publ	CPM-2014Publ
Benefit plan expenses				
Discount rate	**5.3%**	**5.3%**	3.4%	3.4%
Rate of compensation increase	**From 3.3% to 4.0%**	**—**	From 3.3% to 4.0%	—

	2023		
	Other plans		
	Drug	**Dental**	**Other**
Assumed health care cost trend rates			
Initial health care cost trend rates	**5.0%**	**5.0%**	**4.8%**
Cost trend rate declines to	**3.9%**	**3.0%**	**4.8%**
Number of years required to stabilize the rate	**5**	**5**	**—**

	2022		
	Other plans		
	Drug	Dental	Other
Assumed health care cost trend rates			
Initial health care cost trend rates	5.2%	5.0%	4.8%
Cost trend rate declines to	3.9%	3.0%	4.8%
Number of years required to stabilize the rate	7	6	—

Sensitivity Analysis

Retirement Plan

The significant assumptions used to determine the accrued benefit plan obligation are the discount rate, the rate of compensation increase and the mortality rate. Each sensitivity analysis below is done with a variation of only one assumption with other assumptions unchanged.

Sensitivity of Key Assumptions of Benefit Plan Obligation

	2023		2022	
	Pension plans		Pension plans	
(in millions of dollars)	**Increase**	**Decrease**	Increase	Decrease
Discount rate assumption				
Impact of an absolute change of 1.0%	**$ (216)**	**$ 300**	$ (179)	$ 235
Rate of compensation increase				
Impact of an absolute change of 1.0%	**$ 69**	**$ (56)**	$ 81	$ (70)
Rate of mortality				
Impact of a relative change of 10.0%	**$ (18)**	**$ 19**	$ (22)	$ 24

	2023	2022
Sample life expectancies based on mortality assumptions (in years)		
Male		
Age 65 in fiscal year	**23.5**	23.4
Age 65 in fiscal year + 30 years	**25.5**	25.4
Female		
Age 65 in fiscal year	**25.4**	25.3
Age 65 in fiscal year + 30 years	**27.3**	27.2

Other Post-Retirement Benefits

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	2023		2022	
(in millions of dollars)	**Increase**	**Decrease**	Increase	Decrease
Accrued benefit obligation	**$ 5**	**$ (4)**	$ 5	$ (4)

The impact of the one percentage-point fluctuation in the assumed health care cost trend on the total of service and interest cost is less than $1 for 2023 (less than $1 in 2022).

The Company could expect interrelations between the assumptions, especially between the discount rate and expected growth of salaries since they are both influenced by the expected inflation rate. The above analysis excludes these interrelations between assumptions.

Defined Contribution Plan

A defined contribution plan, providing pension benefits, is maintained by the Company. These benefits are not included in the cost recognized for the defined benefit plans above. The total cost recognized for the Company's defined contribution plan is $6 ($6 in 2022). The liability related to this plan is presented in Note 17 "Other Liabilities" included in *Accounts payable* for an amount of $1 ($1 in 2022).

30 › Related Party Transactions

The Company eliminates transactions carried out with its subsidiaries and carried out between the various subsidiaries of the group on consolidation. The Company provides investment management services to its pension plans. These services are offered by the Company in the normal course of business and are subject to normal market conditions. The Company also concludes transactions with associates. These transactions are concluded in the normal course of business and are subject to normal market conditions.

Key Management Personnel

The Company's key management personnel are members of senior management who have the power and responsibility to plan, manage and control the Company's operations. Senior executives are likely to purchase insurance, wealth management and other products and services offered by the Company as part of its regular operations. The terms and conditions of these operations are essentially the same as those granted to clients or employees.

The compensation of directors and key management personnel for the year was as follows:

(in millions of dollars)	**2023**	2022
Salaries and other short-term benefits	**$ 10**	$ 9
Post-retirement benefits	**1**	2
Stock-based compensation	**11**	8
Total	**$ 22**	$ 19

31 › Guarantees, Commitments and Contingencies

In the normal course of its operations, the Company frequently concludes several types of contracts or agreements which, in certain cases, can be considered as guarantees, commitments or contingencies.

Acquisition of Businesses

On October 3, 2023, the Company entered into an agreement to acquire, through one of its subsidiaries, the American company Vericity, Inc. and its subsidiaries (collectively "Vericity"). The agreed purchase price is US $170. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. The closing of the transaction, expected in the first half of 2024, is subject to usual regulatory approvals and may therefore not be executed; this commitment has not been reflected in the financial statements.

Contractual Commitments

The Company currently has contracts covering various products and services, such as outsourced computer services, which, due to their nature, are difficult to cancel. The minimum commitment amounts for the coming years represent $124 in 2024, $98 in 2025, $61 in 2026, $45 in 2027 and $88 in 2028 and beyond.

Commitments

The Company is committed to a third party for one of its subsidiaries for an amount of less than $1 ($7 in 2022). The Company is also committed to third parties to ensure the funds offered by one of its subsidiaries.

Investment Commitments

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were $1,208 ($648 as at December 31, 2022) of outstanding commitments as at December 31, 2023, of which the estimated disbursements will be $34 ($22 as at December 31, 2022) in 30 days, $346 ($213 as at December 31, 2022) in 31 to 365 days and $828 ($413 as at December 31, 2022) in more than one year.

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at December 31, 2023, the balance of these letters is $2 ($2 as at December 31, 2022).

Indemnifications

In the normal course of business, the Company enters into several types of agreements that could include indemnities in favour of third parties. Under certain unusual circumstances, the Company could be called upon to pay specific indemnifications. These indemnifications could vary based upon the nature and terms of the agreements. The primary indemnifications would concern the Company's directors, among others, in case of an event not covered by the liability insurance on the directors. The amount of these indemnifications cannot be determined. The Company has not had to pay out significant indemnities in the past and considers the likelihood of such payment being made to be low.

Lines of Credit

As at December 31, 2023, the Company had operating lines of credit totalling $70 ($57 as at December 31, 2022). As at December 31, 2023, lines of credit were used for an amount of $1 (unused as at December 31, 2022). The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Legal and Regulatory Proceedings

The Company is regularly involved in legal actions, both as defendant and as a plaintiff. In addition, government and regulatory bodies in Canada and in the United States, from time to time, make inquiries and require the production of information or conduct examinations or investigations concerning the Company's compliance with insurance, securities and other laws. Management makes judgments to evaluate the possible outcomes and does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

32 › Subsidiaries

The following is a list of directly and indirectly held major operating subsidiaries.

As at December 31, 2023	Ownership (%)	Address	Description
Industrial Alliance Insurance and Financial Services Inc.[1]	100	Quebec City, Canada	Life and health insurance company that distributes life and health insurance products, savings and retirement plans, loans and other financial products and services
Michel Rhéaume et associés ltée	100	Montreal, Canada	Life insurance broker
PPI Management Inc.[1]	100	Toronto, Canada	Insurance broker
IA Clarington Investments Inc.[1]	100	Toronto, Canada	Fund management firm that markets investment products, including mutual funds and segregated funds
Investia Financial Services Inc.	100	Quebec City, Canada	Mutual fund broker
iA Private Wealth Inc.[1]	100	Montreal, Canada	Securities broker
iA Private Wealth (USA) Inc.	100	Toronto, Canada	Cross border securities broker
Industrial Alliance Investment Management Inc.[1]	100	Quebec City, Canada	Investment advisor that oversees the management of the Company's general fund, segregated fund and mutual fund portfolios
Industrial Alliance Trust Inc.	100	Quebec City, Canada	Trust services
Industrial Alliance Auto and Home Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Prysm General Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Industrial Alliance Pacific General Insurance Corporation	100	Quebec City, Canada	Property and casualty insurance, and other ancillary products company
SAL Marketing Inc.	100	Vancouver, Canada	Extended warranty and other ancillary products company
National Warranties MRWV Limited	100	Laval, Canada	Extended warranty and other ancillary products company
iA Auto Finance Inc.[1]	100	Oakville, Canada	Auto finance company
IA American Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer Security Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
American-Amicable Life Insurance Company of Texas	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer American Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Occidental Life Insurance Company of North Carolina	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Dealers Alliance Corporation[1]	100	Addison, Texas, United States	Extended warranty/service contracts and other ancillary products company
Dealers Assurance Company	100	Addison, Texas, United States	Property and casualty insurer providing liability insurance coverage to companies offering extended warranty/service contracts and other ancillary products
iA American Warranty Corp.	100	Albuquerque, New Mexico, United States	Administrator of extended warranty/service contracts and other ancillary products
Ecoblock, Inc.	100	Albuquerque, New Mexico, United States	Provider of ancillary automotive products
First Automotive Service Corporation	100	Albuquerque, New Mexico, United States	Extended warranty/service contracts and other ancillary products company
Lubrico Warranty Inc.	100	London, Canada	Automobile warranty company
WGI Service Plan Division Inc.	100	Vancouver, Canada	Automobile warranty and ancillary products company
WGI Manufacturing Inc.	100	Scarborough, Canada	Manufacturer and distributor of automobile protection products
IAS Parent Holdings, Inc.[1]	100	Austin, Texas, United States	Vehicle warranty and related software and services company
Surexdirect.com Ltd	70	Magrath, Canada	Digital property and casualty insurance distribution company

[1] These subsidiaries hold directly or indirectly other subsidiaries with essentially a 100% ownership.

33 › Comparative Figures

Due to the adoption of IFRS 17 and IFRS 9, comparative figures presented have been restated to reflect the new accounting policies as described in Notes 3 and 4. In addition to these changes, certain comparative figures have been reclassified to comply with the current year's presentation, without any impact on the net income of the Company.

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Denis Ricard
President and Chief Executive Officer

Alain Bergeron
Executive Vice-President and
Chief Investment Officer

Denis Berthiaume
Executive Vice-President,
Strategy and Performance
and Co-Head of Acquisitions

Stephan Bourbonnais
Executive Vice-President,
Wealth Management

Stéphanie Butt Thibodeau
Executive Vice-President and
Chief Talent and Culture Officer

Éric Jobin
Executive Vice-President, Chief Financial
Officer and Chief Actuary

Renée Laflamme
Executive Vice-President,
Individual Insurance, Savings and Retirement

Pierre Miron
Executive Vice-President,
Chief Growth Officer Canadian Operations

Sean O'Brien
Executive Vice-President,
Group Benefits and Retirement Solutions

Philippe Sarfati
Executive Vice-President and
Chief Risk Officer

Michael L. Stickney
Executive Vice-President,
Chief Growth Officer US Operations
and Co-Head of Acquisitions

Senior Vice-Presidents

Alain Bergeron (IT)
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Investor Relations, Capital Management,
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Vincenzo Ciampi
Senior Vice-President
Global Client Experience

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Alnoor Jiwani
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Charles Parent
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Pierre Vincent
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Joe W. Dunlap
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Kristen Gruber
President

iA Auto and Home Insurance

Isabelle Blackburn
President and Chief Operating Officer

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1-866-269-7773

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2908 South Sheridan Way
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289-644-2362

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2075 Kennedy Road
Suite 500
Scarborough, ON M1T 3V3
416-291-4400

Immigrant Investor Program – Montreal

4150 Ste-Catherine West
Suite 328
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514-499-1170

INDUSTRIAL ALLIANCE TRUST INC.

Head Office – Quebec City

1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
418-684-5000
iatrust.ca

INDUSTRIAL ALLIANCE AUTO AND HOME INSURANCE INC.

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industrielleallianceauto.com

PPI

Head Office – Calgary

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1-800-661-1497

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St. John's, NL A1B 1S1
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200 Waterfront Drive
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Bedford, NS B4A 4J4
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ppi.ca

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778-374-3500
1-800-605-1644

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1-800-661-7712

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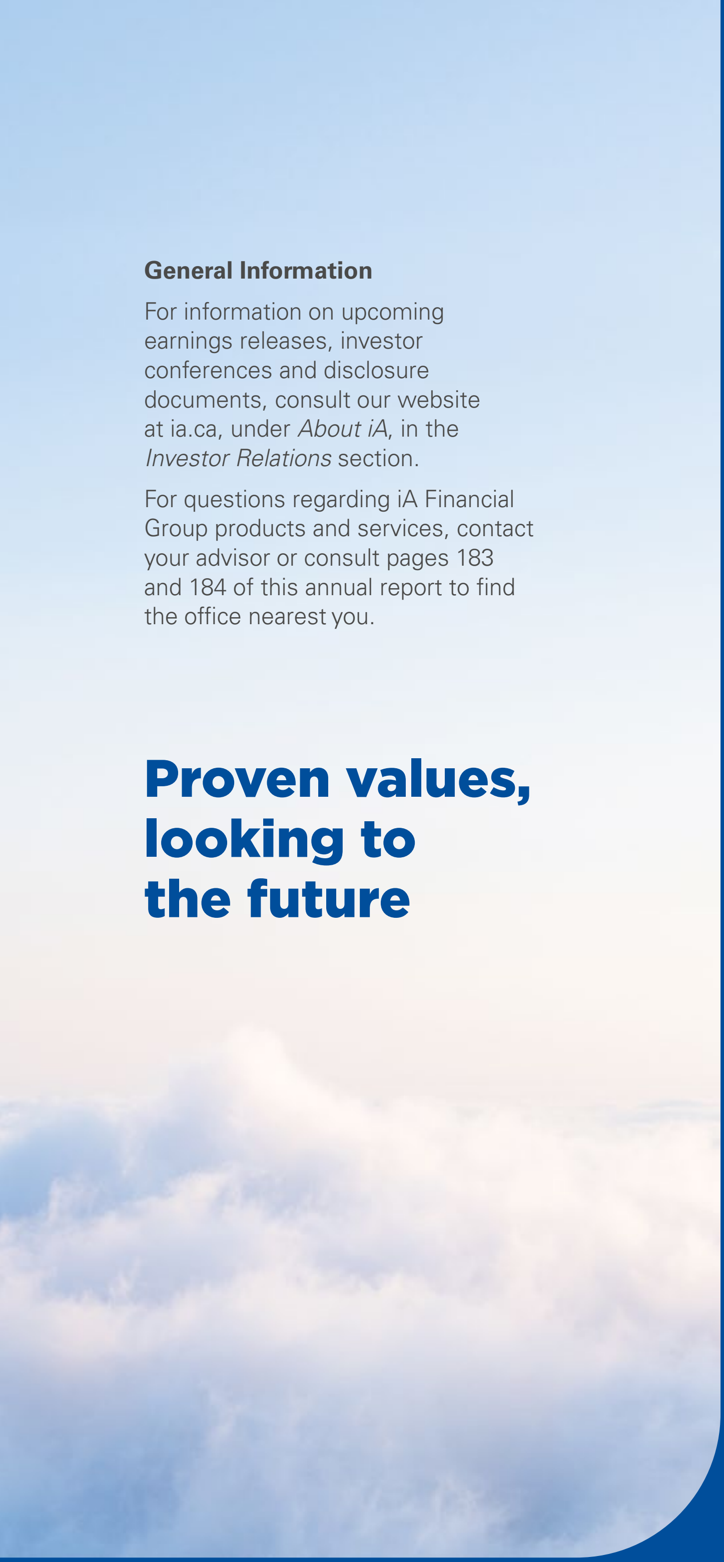

General Information

For information on upcoming earnings releases, investor conferences and disclosure documents, consult our website at ia.ca, under *About iA*, in the *Investor Relations* section.

For questions regarding iA Financial Group products and services, contact your advisor or consult pages 183 and 184 of this annual report to find the office nearest you.

Proven values, looking to the future

Shareholder Information

Head Office

iA Financial Group
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Stock Exchange Listing

The common shares of iA Financial Corporation Inc. are listed on the Toronto Stock Exchange under the stock symbol IAG.

The preferred shares of Industrial Alliance Insurance and Financial Services Inc. are listed on the Toronto Stock Exchange under the stock symbol IAF.

Annual Meeting of Shareholders

Thursday, May 9, 2024 at 2:00 pm

Shareholder Services and Dividend Reinvestment and Share Purchase Plan

For questions regarding share accounts, dividends, changes of address and ownership and other related matters, contact our transfer agent:

Computershare Investor Services Inc.
1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, QC H3A 3S8
Telephone: 514-982-7555
Toll-free: 1-877-684-5000
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Investor Relations

For analysts, portfolio managers and investors requesting financial information, contact our Investor Relations and Public Affairs Department:

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